



School of Business

Mikkeli Campus

## THE INTERNATIONALIZATION STRATEGIES OF E-COMMERCE SMEs AND START-UPS IN SOUTH KOREA

Case studies of four e-commerce start-ups: Cconma, Coupang, Memebox, TicketMonster

Dinh Khanh Phuong

Bachelor's Thesis

Instructor: Tamar Almor

Date of approval: 09/04/2018

Aalto University

School of Business

Bachelor's Program in International Business

Mikkeli Campus

## THE INTERNATIONALIZATION STRATEGIES OF E-COMMERCE SMEs AND START-UPS IN SOUTH KOREA

Case studies of four e-commerce start-ups: Cconma, Coupang, Memebox,  
TicketMonster

Dinh Khanh Phuong

International Business  
Bachelor's Thesis  
Supervisor: Tamar Almor  
Date of approval: 9 April 2018

Aalto University  
School of Business  
Bachelor's Program in International Business  
Mikkeli Campus

<b>Author:</b> Dinh Khanh Phuong
<b>Title of thesis:</b> The Internationalization Strategies of e-commerce SMEs and Start-ups in South Korea
<b>Date:</b> 13 April 2018
<b>Degree:</b> Bachelor of Science in Economics and Business Administration
<b>Supervisor:</b> Tamar Almor
<b>Objectives</b> The main objective of this study is to investigate the internationalization patterns of Korean SMEs and start-ups operating in the e-commerce industry. In order to do that, the author researches the characteristics of the Korean domestic market, and thus contemplating the extent to which the dominance of family-owned conglomerates in Korea affects the decision to internationalize of small businesses. In addition, the role of business networks in building organizational capabilities to prepare for foreign expansions as well as the explanation of Korean's e-commerce firms in terms of market selection are also provided.
<b>Summary</b> Because the methodology used in this research is case study, the findings are withdrawn from secondary data. Based on the empirical data of four case studies, the thesis seeks to understand the performance of four Korean firms in the domestic market and their utilization of the business networks that contain customers, employees, suppliers, and partners. Moreover, an in-depth content analysis of those companies' penetration into the foreign markets is conducted to examine their market selection. Following the findings, the linkages of domestic market conditions, business networks, and psychic distance to firm's performance are then discussed.
<b>Conclusions</b> The domestic market environment, which includes the <i>chaebols</i> ' dominance, has both negative and positive effects on the internationalization of the e-commerce start-ups. Besides, Korean companies consider strengthening their business networks as a way to improve organizational capabilities, thus this factor has a positive relationship with firm's performance. Lastly, when it comes to choosing new foreign markets, Korean e-commerce SMEs tend to take into account the psychic closeness of that market to their home country, though the link of psychic distance to their performance could be both negative and positive.
<b>Key words:</b> e-commerce, internationalization, SMEs, start-up, chaebol, business networks, psychic distance. See: <a href="http://web.lib.aalto.fi/en/helevoc/pdf/">http://web.lib.aalto.fi/en/helevoc/pdf/</a>
<b>Language:</b> English
<b>Grade:</b>

## Table of Contents

1. INTRODUCTION .....	6
1.1. Background .....	6
1.2. Research questions .....	7
1.3. Research objectives .....	7
1.4. Key definitions .....	8
2. LITERATURE REVIEW .....	8
2.1. Start-ups and SMEs .....	9
2.2. Internationalization theories of firms.....	10
2.2.1. Original Uppsala Internationalization model .....	10
2.2.2. Uppsala Business Network Internationalization model .....	12
2.2.3. Born global (International New Ventures) .....	13
2.3. Complementary framework for internationalized SMEs .....	14
2.3.1. Resource-based view theory .....	14
2.3.2. Knowledge-based view theory .....	14
2.4. Internationalization of e-commerce SMEs.....	15
2.5. National context of SMEs in the South Korean market .....	16
2.5.1. Definitions of chaebol .....	16
2.5.2. Influence of chaebols on the South Korean market .....	17
2.5.3. Criticism towards the management system .....	20
2.6. Current situation of SMEs in Korea .....	23
2.6.1. Contribution to the economy.....	23
2.6.2. Difficulties in the South Korean market.....	24
2.7. Internationalization of Korean SMEs and start-ups .....	25
2.8. Conceptual framework .....	27
3. METHODOLOGY .....	28
3.1. Research approach: Case study .....	28
3.2. Research design .....	29
3.3. Data collection and analysis method .....	30
3.3.1. The e-commerce industry in South Korea .....	30
3.3.2. Cconma: Promising growth owing to business networks .....	31

3.3.3.	Coupang: Tremendous success domestically and internationally .....	32
3.3.4.	Memebbox: Struggle after instant success .....	33
3.3.5.	TicketMonster (TMON): Startup turns into a subsidiary .....	34
4.	FINDINGS .....	34
4.1.	Establishment in South Korean market .....	36
4.2.	Utilization of business networks .....	38
4.3.	Penetration into overseas markets .....	42
5.	DISCUSSION AND ANALYSIS .....	44
5.1.	Domestic market conditions and firm's internationalization link.....	44
5.2.	Business networks and firm's performance link .....	46
5.3.	Psychic distance in market selection and firm's performance link.....	48
6.	CONCLUSION.....	49
6.1.	Main findings .....	49
6.2.	Implications for International Business.....	51
6.3.	Limitations of the research .....	52
6.4.	Recommendations for further research .....	52
	Reference List .....	54
	APPENDICES .....	64

# 1. INTRODUCTION

## 1.1. Background

Ever since the end of the Korean Conflict in 1953, South Korea has emerged from a dire poverty state to a prosperous industrial economy owing to the advancement of *chaebols*. Despite the inherently positive influences of *chaebols* on the economy, their monopoly system in the national market has been criticized for years. According to professor Chang (1988), the management system of *chaebols* is hinged on the FARS concept, which is the abbreviation of the relationships with family, alumni, region, and state (government). In other words, in a *chaebol* company, the founders and top personnel are normally members of a family.

Without a doubt, the Korean *chaebols* have been widely known owing to the emergence of some of the most ubiquitous multinational companies in the world such as Hyundai, Samsung, and LG. However, studies show that there has been growing concern about their dominance on the Korean economy since their establishment in the late 1950s. Particularly, the concern primarily revolves around the supposedly overwhelming bond between them and the Korean government, which leads to a series of consequences such as imbalance of employment and unstable economic growth.

On the other hand, although those companies account for 80 percent of the nation's GDP ([www.forbes.com](http://www.forbes.com)), the SMEs constitute about 99 percent of all Korean firms while creating 88 percent of the total number of jobs in the nation (Hong et al., 2016). However, regarding the dominance of *chaebols* over the domestic market, the small enterprises have struggled to secure a stable financial position. In fact, in order to become the "survival of the fittest", most successful SMEs endeavor to co-operate with *chaebols* and seek funding from the government.

Indeed, the fields in which the SMEs operate are versatile and thus varying across different industries such as manufacturing, information technology, and retail. Besides the common strategy of tightening the relations with *chaebols* and the Korean government to leverage their performance domestically, some SMEs are starting to seek opportunities elsewhere rather than entering the tough competition in

the local market. Hence, this situation leads to the trend of internationalization for many Korean SMEs, which contain quite a few e-commerce companies.

Overall, this research aims to investigate the success factors of internationalization strategies for Korean e-commerce SMEs based on the Uppsala Internationalization model as compared to “born global” firms. Hence, this thesis provides the theories supporting firms’ internationalization, researches the dire competition between the SMEs and *chaebols* in the South Korean market, and explores the internationalization stages of Korean small and medium firms operating in the e-commerce industry.

## **1.2. Research questions**

In general, this thesis seeks to investigate the internationalization strategies that Korean e-commerce SMEs and start-ups have adopted to succeed in international markets by answering three primary questions.

- Why do many e-commerce SMEs and start-ups choose to internationalize instead of only focusing on their domestic market?
- To what extent do effective business networks contribute to the success of the internationalizing Korean-based e-commerce SMEs and start-ups?
- What are the main reasons for them to choose some specific markets among others in the internationalization process?

## **1.3. Research objectives**

The research focuses on three objectives:

- To identify the characteristics of Korean domestic market and its role in the rising internationalization trend of SMEs and start-ups.
- To evaluate the significance of effective business networks to the success of e-commerce SMEs and start-ups both domestically and internationally.
- To explain the pattern of market selection as Korean e-commerce firms aim to expand overseas.

## 1.4. Key definitions

This section provides brief definitions of some keywords frequently used in the research, and thus their broader explanations will be presented in the literature review.

**E-commerce:** the adoption of Internet-based systems to exchange information and facilitate business transactions with the firms' internal and external stakeholders (Delone & McLean, 2004; Chaffey, 2007).

**Chaebols:** Korean family-controlled conglomerates that largely contribute to the national economy while most of their business activities are supported by the Korean government (Chang, 1988; Campbell II & Keys, 2002; Gaur and Lee, 2013).

**SMEs:** small and medium-sized enterprises that are independent from larger firms, i.e.: they are non-subsidiary and employ a substantially limited number of employees. That number differs across countries as well as industries, but generally, it should be fewer than 250 employees in the European Union, 500 in the U.S., and 200 in some other nations (OECD, 2005).

**Start-ups:** small businesses that have been operating for less than ten years, adopting flexible business models as well as innovative technologies, and aiming rapid growth in revenues (ESM, 2016).

**Business networks:** the formal relations between independent firms or stakeholders, such as employees, customers, and suppliers, within an organization to exchange information and knowledge with resulting benefits accruing to all participants as well as the economy (Lynch et al., 2009; Hawes, 2012).

**Psychic distance:** the perceived distance between an organization's home country and its intended foreign market as a result of the nations' differences in cultural and business characteristics (Evans, 2010; Usunier & Lee, 2009).

## 2. LITERATURE REVIEW

First and foremost, the literature review provides a theoretical basis for this study, and hence its aims to explain various concepts, theories, and context in respect to



the internationalization strategies of SMEs and start-ups in general as well as in Korea. Firstly, this section begins with a detailed discussion on the definitions of start-ups and SMEs, then being followed up by the internationalization models adopted by most firms, which contain those operating in high-tech industry. After that, the Korean national market is investigated to give a brief understanding of the current situation of the SMEs in their home country. Lastly, a conceptual framework will summarize the gist of the literature review and propose relevant hypotheses based on the primary research questions.

## 2.1. Start-ups and SMEs

To distinguish start-ups and SMEs, most literature focuses on their differences in business models. While a startup is defined as “a temporary organization designed to search for a repeatable and scalable business model” (Blank, 2010), an SME rather follows an established business model since birth and offers existing products to the local markets (Raghu, 2017; EC, 2015). Notwithstanding, both SMEs and start-ups are built by independent owners while having limited capital and labor resources (Baskerville, 2015, Raghu, 2017). Traditionally, the SMEs are known for their business activities in the national markets, and thus the internationalization is considered an entrepreneurial feature of those SMEs (Baskerville, 2015; Lu & Beamish, 2001).

In reference to the size of SMEs, the standards vary across countries and industries, which mean the definition of SMEs is slightly different among firms in Eastern and Western nations as well as in manufacturing and high-tech sectors (Nugent & Yhee, 2001). Specifically, in Korea, according to Article 2 of Framework Act on SMEs and Article 3 of Enforcement Decree of the Act (1966), the SMEs are defined as below.

Industry	SMEs	
	Number of employees	Capital or Sales (billion KRW)
Manufacturing	Less than 300	Maximum capital of 8
Mining, Construction,	Less than 300	Maximum capital of 3

Transportation		
Retail, Hospitality Services, etc.	Less than 300	Maximum sales of 30
Fishery, Film, and Medical Services, etc.	Less than 200	Maximum sales of 20
Wholesale, Science Service, etc.	Less than 100	Maximum sales of 10
Others	Less than 50	Maximum sales of 5

Table 1: The definitions of SMEs in Korea (Framework Act of SMEs, 1966)

Overall, this study concerns the internationalization process of the e-commerce start-ups and SMEs in Korea by utilizing their similarities in humble firm size and limited resources as well as the business owners' entrepreneurial mindset in adopting certain internationalization frameworks.

## **2.2. Internationalization theories of firms**

### **2.2.1. Original Uppsala Internationalization model**

Among various theories of firm internationalization, the Uppsala model appears to be one of the most prevalent frameworks used by a variety of literature. Originally, the theory is created by Johanson and Wiedersheim-Paul (1975) based on the case studies of four internationalizing Swedish firms. Accordingly, the authors conclude that the internationalization process gradually occurs through four different stages, which include “no regular export activities”, “export via independent representatives (agent)”, “sales subsidiary”, and “production/manufacturing” (Johanson & Wiedersheim-Paul, 1975: 307). These stages are classified as the operational level of the Uppsala model.

Later, Johanson & Vahlne (1977) develop a fundamental mechanism of internationalization indicating the “state and change aspects” (p.26) of firms as they enter new markets, which Andersen (1993) codes as the theoretical level of Uppsala model.

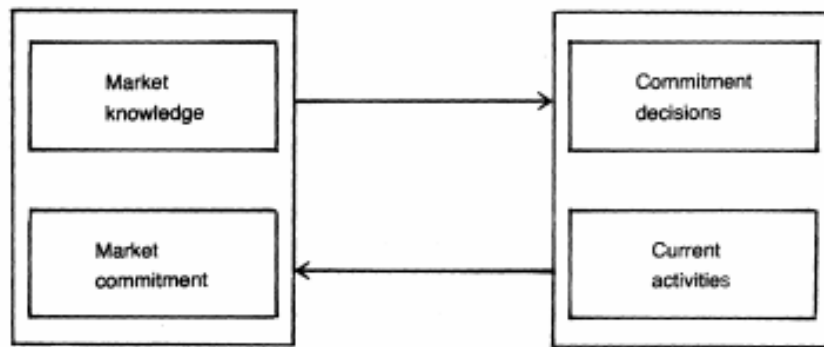


Figure 1: Basic Internationalization Model - State and Change Aspects (Johanson & Vahlne, 1977: 26)

Based on Figure 1, the state aspects indicate the level of market knowledge and market commitment that the firm shows in the process of internationalization. Meanwhile, the change aspects refer to the firm's commitment decisions and current activities. To begin with, market knowledge is assumed to be the primary driver of firms' commitment decisions on the new markets. Specifically, Johanson & Vahlne (1977) infer that in terms of new markets selection, most firms prioritize the markets that are psychically close to their headquarters and then gradually expand to the more distant ones. In other words, market knowledge represents the psychic distance between a firm's home country and the potentially host country, and thus it will determine whether that firm possesses adequate experience and resources to enter that foreign nation or not (Carneiro et al., 2008). The basic Uppsala model also delivers the assumption that the firm's market commitment will incrementally increase as long as it gains experiential knowledge owing to its current activities in the market (Carneiro et al., 2008 & Lommelen, 2004).

Despite its remarkable impact on the study of the internationalization process, the aforementioned model has received criticism from many researchers due to some inherent flaws. According to Hadijikhani (1997), some experts de-emphasize the role of psychic distance while rejecting the explanatory effect of incremental internationalization on the phenomenon itself. Moreover, Calof and Beamish (1995) as well as Grady and Lane (1996) cited in Hadijikhani (1997) broaden the conceptual view of internationalization model by addressing that many firms barely follow the similar stages to the Uppsala's and highlighting the significance of managerial performance of the executive board. On top of that, in the revised work of Johanson

and Vahlne (2009), the authors acknowledge the important role of business networks for firms to expand overseas, which was overlooked in their previous model.

### 2.2.2. Uppsala Business Network Internationalization model

The updated Uppsala model emphasizes the impact of interdependent relationships among market participants such as firms, customers, and suppliers on market selection as well as entry mode (Johanson & Vahlne, 2009). Following the criticism about the overrated role of psychic distance, the authors adjusted the model to indicate the influence of business networks. They confirm that firms when starting to internationalize often have a limited network of relationships in foreign countries, thus they initially experience outsidership. Gradually, depending on their activeness in relationship building, firms will either gain or lose international opportunities and relationship commitments (Johanson & Vahlne, 2009; Odlin & Benson-Rea, 2017). Specifically, the revised model is depicted as below.

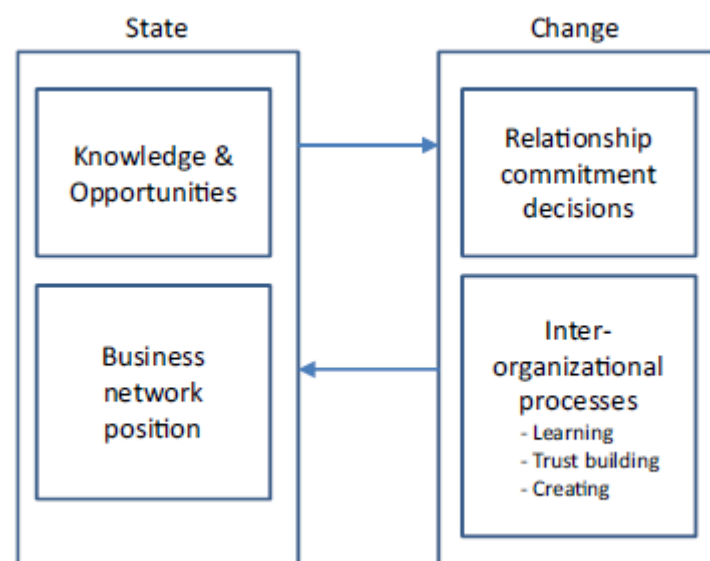


Figure 2: The Uppsala business network internationalization process model (Johanson & Vahlne, 2009)

Based on Figure 2, Odlin and Benson-Rea (2017) explain that the state and change aspects interact with each other on a cycle. Firstly, knowledge and opportunities are the main motivators which lead firms to make decisions on committing to certain relationships. Afterwards, commitments facilitate the inter-organizational processes of learning, creating, and trust building among firms, which leverage their position in the business network and then providing them with new knowledge and opportunities (ibid). Henceforth, the cycle continually repeats itself.

Overall, the literature demonstrates that the process of internationalization happens within a network, and hence market selection also relies on the factors illustrated on the revised model. Particularly, besides the traditional psychic distance, the market could be located in where the business owners see new opportunities, or the potential partners already involve in a promising local network.

### **2.2.3. Born global (International New Ventures)**

In the modern business world, owing to the advancement of technology as well as globalization, many start-ups have been adopting an innovated internationalization model, namely the “born globals”, or international new ventures (INVs) (Fan & Phan, 2007). It refers to the companies that are able to operate internationally due to their shorter product life cycle as well as the increasing global demand (Hashai & Almor, 2004). On the contrary to the firms following the Uppsala model, born globals tend to penetrate new markets since or after a few years of their establishment instead of taking gradual steps (ibid). Prior to this literature, Oviatt and McDougall (1994) define INVs as businesses that seek to “derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (p.49) since their establishment. According to the authors, the stage development framework is no longer compatible to describe the fast-paced development of modern firms, and thus the internationalization process needs to be simplified in order for firms to skip unnecessary stages and grasp the first-mover advantages (ibid).

However, Tanev (2012) argues that although many firms select global niche markets and expand overseas a few years after birth, not all of them are called born globals. Rather, those companies are expected to possess certain qualities, including the activeness in foreign markets around the foundation time, the limit of financial and tangible resources, the availability across different industries, the entrepreneurial mindset of the management team, as well as the focus on differentiation and superior product quality (ibid). Hence, Lopez et al. (2009) propose that based on those characteristics, the born global model seems to be the most ubiquitous in the knowledge-intensive industry where firms could internationalize by means of technology at lower cost. Overall, even though in later literature, the Uppsala Internationalization Model seems to show its limitation in the modern era, most literature do not compare the performance among firms using INV and Uppsala

models because the success depends on many other factors. Thus, each model is appropriate to use based on the firm's resources, the foreign market conditions, and the experience of the firm in the target markets (Pereira, 2015).

## **2.3. Complementary framework for internationalized SMEs**

### **2.3.1. Resource-based view theory**

The resource-based view (RBV) is used to discover specific factors that motivate a firm to enter foreign markets, especially through exports (Westhead et al., 2001). According to Knight (2001), the resource-based view considers an array of organizational resources, i.e.: assets, information, technologies, knowledge, and networks, essential for firms' strategies and performance. Basically, the theory highlights the role of superior managerial orientations and strategic approaches in building advantages for internationalized SMEs (ibid). Accordingly, the theory leads to two key assumptions which state that firms have heterogeneous resources even within their industry, and hence their longevity depends on how firms acquire and utilize those resources (Knight, 2001; Almor & Hashai, 2004). Consequently, the resource-based view concentrates on a firm's superior capabilities in the international market derived from its resources, which are supposed to be valuable and difficult to imitate (ibid). However, this theory has some limitations as it overlooks that fact that the superior capabilities of firms could be weakened by the inferior ones (Almor & Hashai, 2004). Therefore, it is necessary that firms adopt appropriate methods to close the gap with competitors while strengthening their inferior capabilities (ibid).

### **2.3.2. Knowledge-based view theory**

The knowledge-based view theory (KBV) is basically an extended and updated version of the resource-based view, and thus it is considered more appropriate for implementation in the modern business scene (Curado, 2006). In the interpretation of this theory, Curado (2006) explains that as firms increasingly obtain knowledge-based assets, knowledge resources should be consistently maintained and acquired to create sustainable competitive advantage as they seem to be more easily differentiated and more inimitable than tangible assets. Thus, the KBV theory is especially suitable for SMEs lacking tangible resources to internationalize. In

particular, the determining factors of most SMEs for competing overseas are related to how responsive the firms are to new knowledge, how they capitalize it to become usable resources, and how they retain and apply the core capabilities (Park, 2010). Indeed, the SMEs are suggested to adopt KBV along with the Uppsala Business Network Internationalization Process Model; since experiential knowledge is to be obtained gradually, a solution for SMEs in entry mode is to utilize the international business experience from the managers as well as their business networks (ibid).

## **2.4. Internationalization of e-commerce SMEs**

Most literature links internationalized e-commerce SMEs with such terms as “fast moving”, “rapid development”, “first-mover advantage”, and “born globals”. These terms indeed illustrate how fast-paced the modern business world is moving, thus the e-commerce industry is no exception. To describe e-commerce, researchers often characterize this industry as an amalgam of knowledge-based and retail industries, in which the sale and purchase activities of consumer goods and services are implemented via telecommunication networks (Zwass, 1996; Applegate et al., 1996), which are later specified to be Internet-based tools (Ma, 2001; Riggins and Rhee, 1998). As Bower (1993) articulates, “those who learn the quickest will be the winners”, the collective goal of the majority of SMEs operating in high-tech industries is to learn fast, and thus experiential knowledge obtained from incremental internationalization seems to be inadequate (Saarenketo et al., 2004). From the perspective of Saarentketo et al. (2004), small high-tech companies could learn through networking, grafting, imitating, searching. Specifically, through their partnerships, customers, or acquaintances, firms could gain valuable knowledge and improve their position in the business network (Johanson & Vahlne, 2009).

In respect to grafting, high-tech firms can also choose to engage in M&A, which means by acquiring other companies having superior capabilities, the firms can shorten the learning time and neutralize their inferior ones simultaneously (Almor & Hashai, 2004; Saarenketo et al., 2004). The advancement of technology enables firms to seek new information of their potential markets by various means, such as the Internet. However, the simple access to information also leads small firms to struggle with technology leakage and intellectual property rights as they could be imitated or imitate others in a blink of an eye (Sohn et al., 2017). On the other hand,

“imitating” the actions of large companies in market penetration instead of copying their technology could be beneficial for SMEs since they legally reduce the time of market experiment (Saarenketo et al., 2004).

Following the rapid development of technology, e-commerce appears to be an optimal solution for SMEs to internationalize as it helps to quickly facilitate the brand recognition of those firms at minimal costs for information, promotion, advertising, and market research thanks to the speedy advancement of the Internet and digital service (Chulikavit & Rose, 2003). Therefore, e-commerce SMEs are able to operate on a global scale and target niche markets more simply and effectively (ibid).

Generally, the preceding theories imply the assumption that small and medium firms, including e-commerce companies, create new and utilize existing business networks as a core organizational capability to enhance their performance during the internationalization process. Moreover, those companies are inclined to enter new foreign markets based on either their psychic distance to the home countries or relevancy to the business networks.

## **2.5. National context of SMEs in the South Korean market**

Following the theories of internationalization of firms, this part discusses the business settings in Korea to provide an overview of the position of Korean SMEs and start-ups in their domestic market, and thus a detailed research on the role of *chaebols* is carried out.

### **2.5.1. Definitions of *chaebol***

The definition of *chaebol* evolves in different periods. Initially, Chang (1988: 52) defines *chaebols* as “large business enterprises that are composed of many corporations”, or the “conglomerates”. Hereafter, Lee et al. (1991) expand this interpretation to the “financial cliques” because in the 1990s, the Bank of Korea announced that the total revenue of top 30 Korean *chaebols* would be equivalent to 200 billion dollars, which accounted for 95 percent of the country’s GNP. Afterwards, this explanation is supported by Lim (2012) who affirms that in Korea, most financial institutions are monitored by either the government or *chaebols*, and thus *chaebols* are the actual giants who control the private sector. In relation to the origin of



*chaebols*, Campbell II and Keys (2002) explain that they are the business groups whose loans were given by the government at a low rate. More specifically, Gaur and Lee (2013) clarify that those conglomerates existed as a result of Japanese's sale of assets to certain Korean families after their independence from Japan in 1945.

Although the definitions vary across the development of the South Korean economy, the timeline for *chaebols'* evolvement remains consistent. Overall, it can be concluded that *chaebols* are the family corporations that originally appeared in the late 1950s, and then were nurtured by the government in virtue of fund allocation and other financial incentives to stimulate economic development from the 1960s to the 1970s (Chang, 1988; Campbell II & Keys, 2002; Gaur and Lee, 2013). Subsequently, the nurturing plan was so successful that the conglomerates had grown to be independent in the 1980s, and thus they gradually obtained enormous power in the national market. Eventually, the 1990s witnessed the ugly truth of *chaebols* when they were accused of abusing their power to gain interests and threaten the government (Chang, 1988; Campbell II & Keys, 2002; Gaur and Lee, 2013). As a result, since the 2000s, *chaebols'* dramatic growth of power has been gradually diminished by the Korean government through a series of reform initiatives in order to reduce their overwhelming dominance.

## **2.5.2. Influence of chaebols on the South Korean market**

### **2.5.2.1. 1960s to 1990s: Development in domestic market**

To begin with, the 1960s to the 1980s was the most prosperous period of *chaebols* in particular and the Korean economy in general. According to Chung (2003), the economic accomplishments of South Korea, widely known as "Miracle on the Han River", were so astounding that they agitated even China, the long-term rival nation. As a matter of fact, in the 1970s, the Chinese government assigned a group of scientists to visit South Korea to research on the nation's economic advancement, which brought a temporary halt to both countries' intense hostility (Chung, 2003). In addition, Chung (2003) also denotes that at that time, China attempted to duplicate the industrialization process of South Korea by an array of actions, such as seeking similar economic growth rate and recreating South Korea's special export processing zones. This supposition is later supported by Jaffe and Kim (2010) by affirming that

China launched the modernization plan in 1978, which was exactly two decades after Korean President Park Chung-hee had introduced his plan for industrialization.

In fact, the emergence of *chaebols* results from the introduction of Park Chung-hee's industrialization plan, which connotes the collaboration of government and private entrepreneurs in the 1960s (Lim, 2012). According to Lim (2012), the partnership was based mostly on family-owned companies, regarding that large business groups were in the early formation. In support of Lim's belief, Rhyu (2005) asserts that *chaebols* indeed occurred earlier than the 1960s, as the Korean War laid the foundation for them. For example, Samsung initially operated as a limited company that imported sugar and fertilizer and received foreign currency loans from the Bank of Korea in 1951 (Rhyu, 2005). The business blossomed in the next few years due to the increasing demand of consumers while lacking strong contenders. Moreover, manufacturing companies like Joongang and Hyundai also remarkably evolved by restructuring domestic buildings and infrastructure while serving the U.S. armed forces in Korea when necessary (Rhyu, 2005). As a result, South Korea experienced an exponential growth in GNP per capita of 2000 percent during the period of 1965-1985 (Chang, 1988). In respect to the contribution of *chaebols* at that time, Professor Chang (1988) predicates that the preeminent motivators of the economic growth were businessmen, especially those who managed to succeed in establishing prominent enterprises. During the 1980s, *chaebols* occupied a proportion of "one-quarter of the entire South Korean GNP" (Chang, 1988).

On top of that, Park and Yuhn (2012) agree with Professor Chang that the role of *chaebols* to the economy after war is undeniably vital, and hence they evaluate the success of those conglomerates from 1992 to 1998 with the use of hypothesis testing. Fundamentally, the tests concern with the internal market transactions of *chaebols* because the authors believe that their success can be dependent on the internal financing system, which is an alternative to the Japanese *keiretsu*'s bank-centered financing system. However, this evaluation has some limitations.

To evaluate the aforementioned literature, the hypotheses are carried out with the condition that the *chaebol* system resembles the *keiretsu* structure. In the article "Corporate governance in South Korea: the *chaebol* experience", Campbell II and Keys (2002) compare the dominance levels of both systems in their countries' sales,

profits, and total employment, and thus they concluded that *chaebols* are more dominant than *keiretsus*. Murillo and Sung (2013) explain this difference by emphasizing the role of family ownership in the *chaebol's* management system, while that of the *keiretsu* is more flexible as they also accept leadership from external sources. Therefore, the results of the hypotheses might not be representative due to the difference in scope between two systems. The second problem concerning the hypothesis test is the inclusion of the data in 1997, which is the year of the Asian crisis, and hence the performance of *chaebols* is not as presentable as the years before and after 1997.

#### **2.5.2.2. 2000s to present: Successful global expansion**

From the year 2000 onwards, the reputation of *chaebols* is no longer restricted within South Korea's border, as their brands and products have been made known across the world. In particular, Hemmert (2012) claims that technology advancement and globalization motivated *chaebols* to approach foreign markets of great potentials, which include developed economies such as North America and Europe along with developing countries such as China and India. However, Hemmert (2012) and Tejada (2017) both realize that the most successful Korean multinationals are principally the most prominent *chaebols* consisting of Samsung, LG, and Hyundai who have been leading their respective industries for years in the domestic market. Specifically, Grobart (2013) acclaims Samsung for becoming "the world's number one smartphone maker", whose memory chips are of great renown. Subsequently, Tejada (2017) praises the Samsung Galaxy series, especially the Samsung Note 7 smartphone, for their huge contribution to Korea's exports with the amount of 20 percent. On top of that, Hyundai maintains its position in the top four automobile producers in the world while LG emerges as one of the world's top manufacturers of flat televisions and mobile phones (Grobart, 2013; Tejada, 2017).

Comparing with the pre-1990s period, Kim (2017) explains that the Korean government has less control on *chaebols'* investment decisions due to the decreasing power of state-owned commercial banks. Favorable interest rates and enhanced financial activities have strengthened the economic independence of *chaebols*, and hence they have been able to raise capital by operating non-banking financial firms (Kim, 2017). As a result, their financial stability has been improved as

the ratio of expenses to revenue has been reduced since 2000, along with the consistent increase in sales revenue during 2001 and 2009 despite the recession in 2008 (Hemmert, 2012).

Overall, the literature consistently proves that *chaebols* have significantly expanded their networks outside the country, and thus their global expansion helps to promote the nation's image while increasing export revenues.

### **2.5.3. Criticism towards the management system**

#### **2.5.3.1. Toxic business-state relationship**

According to Gaur and Lee (2013), *chaebols* originated from several Korean families who purchased the remaining Japanese assets after the nation had gained independence from Japan in 1945. The period of 1960s to late 1970s were the most prosperous time for them as they had earned enormous benefits from the strong bond with the Korean government, yet those businesses were accused of abusing their dominant power on the national market from the early 1980s. Until the 1990s, they had obtained adequate strength to not only affect government policies but also violate the laws, such as bribing local authorities, to gain personal as well as corporate advantages (Gaur and Lee, 2013). In evaluating the credibility of this argument, Kim (2017) confirms that *chaebols* practically have gained more freedom in financial management since the 1980s as they were enabled to occupy security firms, investment trust firms, and insurance firms. Therefore, the economic power of *chaebols* was eventually leveraged.

With regards to the simplicity of domestic bank loan policies, Murillo and Sung (2013) concern that *chaebols* would likely to involve in dangerous ventures or overinvestment. Practically, there are signs that they have higher debt ratios than the SMEs while continuing to pour investment into stagnant industries such as manufacturing, or export goods to redundant-supply markets like China and India (Murillo & Sung, 2013; The Economist, 2015).

On the other hand, corruptive activities initially took place in Korean society during early post-independence era until the democratic revolution in 1987, though they existed in various implicit forms. In his article "Bad Loans to Good Friends: Money Politics and the Developmental State in South Korea", Kang (2002) refers to

corruption as “money politics” when he also mentions that although the term was widely acknowledged, many Koreans chose to neglect it owing to the rapid economic development that *chaebols* had brought to the country. In fact, Kang’s (2002) findings are somewhat similar to Gaur and Lee’s (2013) since they agree that the more globalized the business world is, the more dominant *chaebols* will be in their domestic market, and hence an array of corruptive activities, including cronyism and rent-seeking, will continue to happen. Particularly, in Kang’s (2002) article, the toxic business-state relationship is illustrated on tables with the use of data collected throughout two decades, from the 1980s to 2000s. The data tables display the stages that lead to corruption and provide the reasons for a corruptive Korean government along the path towards industrialization and democracy.

Undoubtedly, the primary reason for such controversies and distrusts against the Korean conglomerates is the relationship between them and the government. Literature has demonstrated their strong bond in line with the privilege to which only *chaebols* could get access. The question is, how the new Korean government could abolish such intimate connection without diminishing the nation’s domestic wealth and international presence, which have been established by *chaebols*.

#### **2.5.3.2. Imbalance of employment**

In respect to arguments against *chaebols*’ influence, Yun (2010) criticizes them for triggering the inequality in employment, as an inherent result of industrialization and globalization. Particularly, based on the demographics of the Korean labor market, old workers occupied a significantly larger proportion than their young counterparts. Specifically, Kim (2015) denotes that the labor force participation rate for young people in 15-29 age group merely makes up 46 percent with overall unemployment rate of 9.9 percent in 2015.

To explain the aforementioned phenomenon, Frayer (2017) signifies that while most jobs are created by the SMEs, those business are struggling to compete with *chaebols*. Some could survive by working for those conglomerates under terrible contracts and uncertain payments, whereas the others can barely manage to find their positions in the market, let alone to grow (Frayer, 2017). Consequently, fresh graduates and young workers also struggle to find jobs. As mentioned in the article “The Myth of Confucian Capitalism in South Korea”, *chaebols* tend to employ people

having exceptional academic backgrounds, preferably those who graduate from SKY i.e.: Seoul National University, Korea University, and Yonsei University. Therefore, young people who possess degrees from lower-ranked universities are barely considered in job-screening processes. Subsequently, as they are forced to compete for jobs with senior workers who are more experienced, young workers are doomed to failure (Yun, 2010).

Regarding the origin of youth unemployment, Kim (2015) believes that it started from the aftermath of the Asian financial crisis in 1997, when IMF launched a bailout package to save the economy. At that time, most jobs were unstable as the emergence of non-regular and contract work were necessary to formulate a flexible labor market, which led to uncertainty in career prospects for youth employment (Kim, 2015). Gradually, the unemployed forms a community called *sampo*, or the “give-up generation”, which Kim (2015) and Cho (2016) characterized as those who determine to give up “courtship”, “marriage”, and “childbirth”. This phenomenon appears to be acutely serious since Cho (2016) believes that it would affect the demography of South Korea in the long term when more and more young women refuse to get married and give birth. Also according to both authors, without consultation and support from the government and the society, the “give-up generation” will more likely to be exposed to mental illness, including depression and anxiety, due to the insecurity of their life conditions.

Overall, the aforementioned articles describe the current dire job market of South Korea, in which young people tend to be the ones who suffer the most. Although the imbalance of employment could be initiated by many different factors, it seems like the *chaebols* are undeniably responsible for the shortage of jobs, the stagnation of SMEs, and the discouragement for young generation whose degrees are not originally granted by prestigious schools.

#### **2.5.3.3. Fragile economy**

In the article “Family ownership and performance in Korean conglomerates”, Chang and Shin (2007) collect the data from the annual reports and the financial statements of fifteen Korean *chaebols* to evaluate whether family ownership in private firms is higher than that in public firms owned by the same *chaebol*. Consequently, the result turns out to be in sharp contrast to the general belief, which indicates that family

ownership is higher in public firms than in private ones (Chang and Shin, 2007). In fact, this outcome seems to be in harmony with the concern over the questionable business-state relationship since it implies a large proportion of *chaebols* are state-owned, which receive unfair allocation of state funding and drive the economy to unhealthy state.

Prior to the foregoing matter, *chaebols* were also blamed by other adversaries on their poor performance during the Asian financial crisis in 1997. Specifically, considering that the economy was so dependent on the operations of *chaebols*, severe damage to the economy was unavoidable when the crisis arose. Because most financial institutions at that time were controlled by either the government or *chaebols*, Korea's financial system was driven to a collapse (Hall & Harvie, 2003). In respect to this turmoil, Lee (2000) states that the foreign debt amounted to over 150 billion dollars, which was equal to four thousand dollars per capita. In addition to the enormous debt, plenty of *chaebols* became so fragile that some of them went bankrupt, such as Daewoo and Hanjin, whereas others were sustained by receiving high-interest loans from international organizations.

## **2.6. Current situation of SMEs in Korea**

### **2.6.1. Contribution to the economy**

"Everyone knows you don't compete with the *chaebol*" (The Economist, 2011). Indeed, it is a common saying that Koreans keep in their minds. Although the proportion that the SMEs occupy in their domestic market is trivial comparing with *chaebols*, their contribution to South Korean economy is indisputable. In particular, the SMEs account for more than half of the nation's GDP while providing jobs for about 13 million people (Majoni, Matunhu & Chaderopa; Hong et al., 2016). Hall and Harview (2003) agree that SMEs plays a vital role in generating jobs and that most jobs in Korea are distributed by the SMEs.

While also supporting the notion, Pyo, Hong, and Kim (2016) suggest that firm size might not be the sole determinant for the amount of job creation, and thus the determining factor is firm age, or establishment age. After collecting data that represents the distribution of jobs based on firm age and size from 2004 to 2012, the authors analyze the statistics by finding the correlation between firm age, firm size,

and net job growth rate. In this analysis, entry firms, continuing firms, and exit firms are all taken into account. Eventually, the results show that when firm size is controlled, young companies are inclined to create more jobs as they would engage in rapid development, despite the higher rates of exit. In other words, regardless of whether the SMEs are part of large corporations or not, younger firms tend to contribute the most to net job growth rate (Pyo, Hong & Kim, 2016).

On top of that, Gregory et al. (2002) assert that SMEs have more potential to contribute to economic growth than large enterprises as the manufacturing SMEs have been exceeding their large-sized counterparts regarding the growth rate since the 1970s. At that time, they were able to capture such rapid development because of the increasing demand for parts and basic materials (Gregory, Harvie & Lee, 2002). In fact, their belief is in line with Dominguez and Mazumdar's (2016) as the authors support the SMEs for consistently pursuing innovation and hiring young people. However, the authors express the concern that the potential of SMEs seems to stay as it is without further improvements despite Korean government's tremendous efforts to balance out the domestic market share.

When it comes to discovering the positive effects that the SMEs have on their operating countries, there is a considerable amount of literary materials in evidence. Nevertheless, regarding South Korea itself, the materials appear to be somewhat limited to job creation and potential for growth since they have been facing lots of difficulties that frustrate them for making other possible contribution. Hence, research on the obstacles that hamper their development are carried out.

### **2.6.2. Difficulties in the South Korean market**

To begin with, many researchers indicate that the first and utmost reason for the restricted growth of the Korean SMEs is the dominance of *chaebols* in the economy. In reality, the SMEs are mostly overshadowed by the Korean conglomerates; although they have the ideas for growth, the business environment makes it difficult to be implemented (Frayer, 2017). In most cases, if a person comes up with an appealing business idea, they will tend to work for a *chaebol* instead of establishing a venture (Dominguez & Mazumdar, 2016). This behavior is caused by several factors. Firstly, as Korea has embraced "Confucian social fabric" (p.39) since the Joseon Dynasty (Lee et al., 1991), the nation is regarded as one of "the most



Confucian countries” (p.12) in East Asia (Rozman, 2002). Therefore, in the mindset of most Koreans, mastery educational level is of vital importance for a person to be respected in his society. As aforementioned, degrees from prestigious schools is one of many strict criteria for one to be accepted in working at *chaebols* (Yun, 2010). As a result, most graduates prioritize job applications to *chaebols* in order to leverage their social status while avoiding the uncertainty in career prospects at the SMEs (Marlow, 2015). Also because of this mindset, youth and women entrepreneurship are less likely to happen in this nation (OECD, 2016).

On the other hand, the lack of connection with the government also contributes to the stagnation of the SMEs. However, the attempt of the government to save the SMEs is undeniable to some extent. Having realized the *chaebol* problem, the government has motivated banks to let smaller firms borrow money, and thus loans to the SMEs have been exceeding that of *chaebols* since the early 2000s (Marlow, 2015). Nonetheless, such interventions have created somewhat minimal impact as both parties, banks and SMEs, remain reluctant to engage in commercial agreements due to the low financial credibility of most SMEs. Based on Marlow’s (2015) research, the “Peter Pan Syndrome”, which implies the sluggish growth in recent years of the SMEs, has become a serious issue. During the period of 2002 – 2012, merely less than 700 SMEs in Korea have grown to employ more than 300 workers, out of millions of SMEs operating in the country (Marlow, 2015). Furthermore, Song (2013) indicates that the status of the SMEs in Korean society will remain low as long as *chaebols* keep expanding to occupy irrelevant business areas - such as food and retail – that are traditionally operated by the SMEs. In the case of high-tech companies, technology leakage is the most serious trouble since the competition is already tough, yet high-tech SMEs barely have capabilities to prevent themselves from being imitated by the competitors (Sohn et al., 2017).

## **2.7. Internationalization of Korean SMEs and start-ups**

In the field of business-to-consumer (B2C) e-commerce, thanks to the stable financial and experiential resources, *chaebol*-backed firms are the prominent players that could easily outweigh the SMEs operating in the same industry in Korea (The Economist Intelligence Unit, 2007). However, on the international ground, it is commonly known that SMEs tend to compete with other SMEs rather than large

firms (Odlin & Benson-Rea, 2017). Therefore, instead of continuing to be overshadowed by *chaebols*, Korean SMEs would be in a fair competition with international SMEs in foreign markets. Also according to Odlin & Benson-Rea (2017), there are three types of internationalizing SMEs. The first one refers to those expand overseas step-by-step, the second one concerns “born globals”, and the last one indicates those focusing on domestic market for a long time yet suddenly internationalizing after a major strategic reform (ibid). In other words, those firms could be classified as “incrementally and rapidly internationalizing SMEs” (Pellegrino & McNaughton, 2017). Studies have not shown a clear comparison of success among those three types. However, in general, Suh and Kim (2016) enumerate the common qualities that lead to success of some globally-acclaimed Korean SMEs which include international marketing strategies, business networks, and technological innovations. In other words, the success of many Korean SMEs in foreign countries is established by improving their superior core capabilities, which are R&D, marketing, and business networks (ibid).

In support of the internationalization of SMEs and start-ups, the Korean government has introduced a number of initiatives to develop the country’s startup scene and lessen the coverage of *chaebols* in the domestic market (Kang & Mah, 2015; Millard, 2016). As a result, about two billion dollars of investment have been raised annually, which assist the start-ups in funding, foreign expansion, and domestic training (Millard, 2016). In respect to the oversea expansion, Korean SMEs follow the pattern similar to Korean multinationals, which states that companies tend to penetrate markets psychically close to them rather than the distant ones in the beginning (Erramilli et al., 1999; Suh & Kim, 2014). In fact, they particularly use the psychic distance strategy because in countries that they have little experience, Korean firms are more likely to be associated with higher degree of product adaptation, which means they are bound to spend more time and financial resources on marketing mixes than those for the closer nations (Chung, 2010).

Overall, the literature signifies that many Korean SMEs consider using psychic distance as a criterion for market selection as it is conventionally seen as a more stable and safer way to reduce risks, whereas enhancing core competencies is regarded as an effective way to sustain competitive advantages.

## 2.8. Conceptual framework

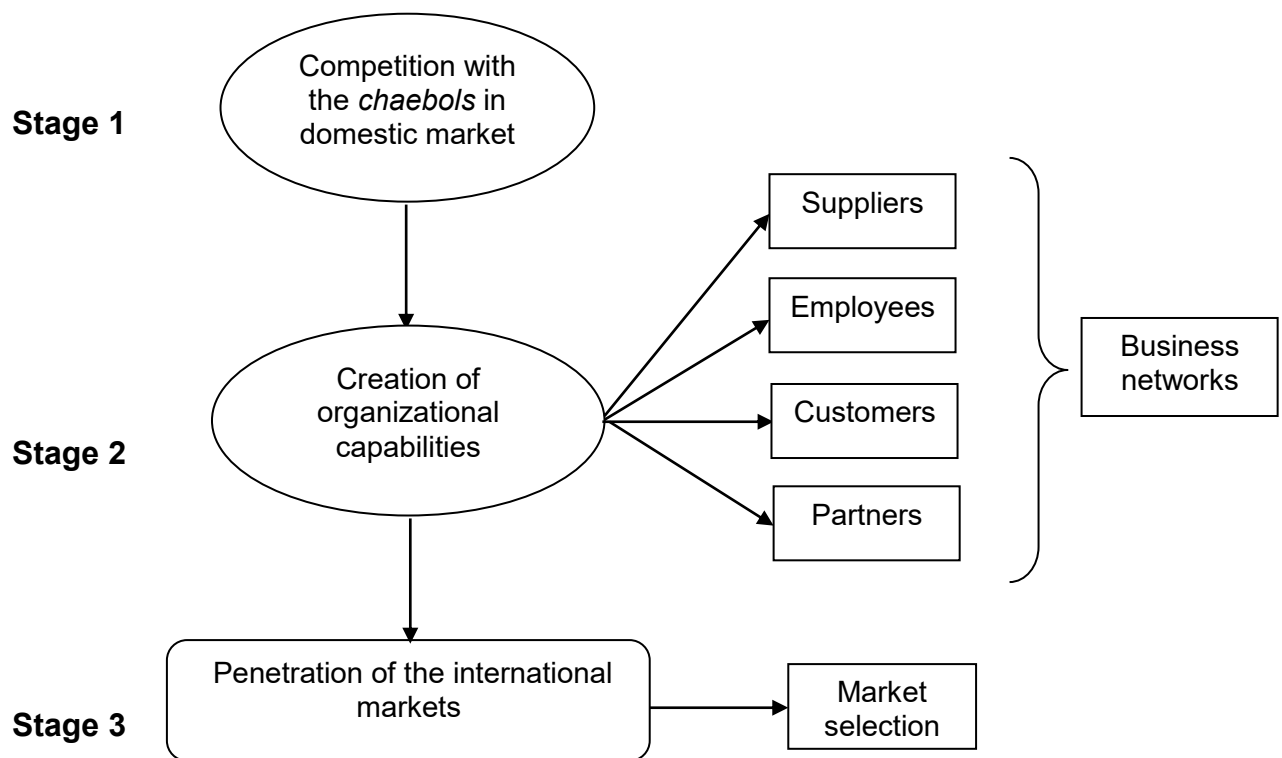


Figure 3: Conceptual framework of Korean internationalizing SMEs and start-ups

In general, the aforementioned description of the national market in Korea as well as articles relating to the internationalization of Korean SMEs and start-ups suggest an argument: intense competition with the *chaebols* in the domestic market plays a primary role in driving the SMEs and start-ups to internationalize. Furthermore, on the basis of the Uppsala internationalization model and supporting theories, it could be seen that business networks, specifically the relations between firms and their suppliers, employees, customers, and business partners are repeatedly mentioned as one of the core organizational capabilities in the SMEs and start-ups' domestic as well as international business activities. In relation to the business network theories, studies present the conception that numerous firms, including Korean SMEs and start-ups as previously stated, choose to penetrate new foreign markets depending on the psychic closeness to their home country.

Based on the previous literature review, the author summarizes the theories with a conceptual framework. Specifically, the framework proposes three hypotheses concerning the research questions.

*H1. Dire competition with the chaebols in the national market leads the Korean SMEs and start-ups to internationalize.*

*H2. Business networks are of vital importance for Korean SMEs to succeed domestically and to prepare for internationalization.*

*H3. Korean start-ups tend to enter countries that are psychically close to them in the early years of internationalization.*

### **3. METHODOLOGY**

This section focuses on clarifying the use of case studies for quantitative data collection and the reasons for such method being beneficial to this thesis. Accordingly, the background information of four case companies is provided to support the understanding of their connections with the previous hypotheses.

#### **3.1. Research approach: Case study**

In respect to the studies of internationalizing SMEs and start-ups, researchers have used both qualitative and quantitative methodology including in-depth interviews, questionnaires, and case studies to support their research objectives. Regarding this thesis, the chosen methodology is case study as it is the most suitable way to implement the research with respect to the effectiveness in answering the research questions, the availability of secondary data, and the characteristics of the research topic. Due to the infancy of the entrepreneurship scene in Korea, case studies appear to be an effective tool to investigate the internationalizing patterns of those companies.

Literature has different views regarding the purpose of case studies. According to Rowley (2002), the use of case study is the most appropriate in the exploratory stage of the research, and hence it serves as the fundamental knowledge for the evolvement of further experiments and in-depth studies. However, Yin (1994) rejects the statement as he claims that case studies could also be descriptive, and thus they are completely capable of testing the proposed hypotheses. Theoretically, as the purpose of case study tends to concentrate on contemporary events, it is mostly used to answer questions in the form of “how” and “why” (ibid).

Indeed, many research papers about Korean SMEs and start-ups have adopted both qualitative interview and case study as the main methodology. Moreover, Harrison et al. (2017) highlight the use of multiple data collection methods to support the chosen case studies. Although primary data collection would be useful for this thesis, the specific topic about internationalizing entrepreneurship and the country focus in South Korea make it difficult to gather first-hand data. This is a limitation which will be discussed in the later part.

### **3.2. Research design**

With regards to the types of case study, Baxter and Jack (2008) suggest eight kinds including explanatory, exploratory, descriptive, multiple-case studies, intrinsic, instrumental, and collective. In order to examine the previous hypotheses, multiple-case studies method is chosen. Specifically, the cases of four e-commerce start-ups and SMEs in Korea are used to support the study as they enable the author to find the similarities and differences (Baxter & Jack, 2008). Therefore, they open the opportunity for the author to produce the results that are either similar or contradictory to the initial propositions, which help to arouse further discussions.

On top of that, the design of case study research is established based on five components – research questions, potential hypotheses, units of analysis, logical connection between data and hypotheses, and criteria for findings interpretation (Yin, 1994). Following this structure, this thesis starts with the questions relating to the internationalization pattern of Korean SMEs and start-ups at three main stages. After that, three hypotheses, concerning whether foundation in domestic market, business networks, and psychic distance of foreign markets affect firms' decision-making process as well as international success or not, are proposed in line with the theoretical framework and the initial research questions. Then, secondary data of four companies in study are collected and analyzed to confirm their relations with the hypotheses. Lastly, the findings will lead to more detailed discussions and reach the final conclusion.

### **3.3. Data collection and analysis method**

As aforementioned, the research is carried out with the use of only secondary data. Accordingly, all available sources on news, articles, books, reviews, interviews, and videos are incorporated in the data set. Particularly, the e-commerce businesses in research are Cconma, Coupang, Memebox, and Gmarket, whose success in domestic and foreign markets has been demonstrated. Furthermore, the analysis will be structured similarly to qualitative interview due to the common characteristics of qualitative research methods, such as the limited sample size, by using coding and categorizing the data based on those codes.

As Nigatu (2009) suggests two types of analysis approach in qualitative research, the thesis applies the deductive approach which refers to the test of hypotheses, in connection with the theories, based on the similarities and differences of data. Therefore, the cross-case analysis will be adopted to avoid possible generalization from too limited data (Eisenhardt, 1989). Specifically, a common strategy is to choose proper categories and identify the “within-group similarities coupled with intergroup differences” (ibid: 540).

#### **3.3.1. The e-commerce industry in South Korea**

E-commerce, or the online retail market, is one of the most high-growth industries in South Korea following the rapid development of technology and retail sales in the country. Since its introduction to South Korea two decades ago, total volume sales on e-commerce business has increased by 22 percent each year (Nowak & Partner, 2017). During the period of 2013 - 2018, Korean e-commerce market is ranked 7<sup>th</sup> among the largest countries in the world and 3<sup>rd</sup> in the Asian-Pacific region (eMarketer, 2014). Moreover, a large amount of transactions is made through mobile devices, which accounted for 45.4 percent of online shopping (Sohn & Lee, 2016). Until 2017, there are about 30.5 million people in South Korea who have purchased goods and services on e-commerce sites, generating a total revenue of 21.4 billion USD (eshopworld, 2017). Among all of product categories, Fashion is the most popular in sales, then followed by Toys, Hobbies, and DIY (ibid).

With regard to the trading activities with other countries, China and the United States are among the top two partners of South Korea in terms of both imports and exports sales (Workman, 2018). In 2017, China occupied a proportion of 24.8 percent while that of the United States was 12 percent of total Korean exports (ibid). Meanwhile, China and the U.S. are also the largest and third largest imports suppliers for South Korea with 90.1 billion USD and 42.7 billion USD, respectively (eshopworld, 2017).

Generally, the e-commerce industry in South Korea is very prospective in terms of total sales as well as sales growth rate, thus in-depth research of start-ups and SMEs operating in this business is carried out. Regarding four case companies of the thesis, the detailed background of each company is provided below.

### **3.3.2. Cconma: Promising growth owing to business networks**

Cconma.com is an online shopping site that was established in 2005 by Dong-Hoon Choi, a Korean entrepreneur, along with his three colleagues. Since its establishment, the company has continued to maintain its profitability and expand its customer base. Until 2012, the company employed 34 workers, received 50,000 visitors and 7000 orders per week, which helped the business to gain a revenue of 6 million USD for the year of 2011 (Kang & Downing, 2015).

Unlike other IT start-ups, Cconma's office is located in Chung-Ju, an agricultural province in the center of South Korea, instead of the capital Seoul. In fact, Choi and his partners decided to relocate their company due to the nature of the business, which provides healthy food, affordable and ecofriendly clothing, as well as low-maintenance yet long-lasting household appliances. The collective vision of Cconma - in accordance with the brand name's meaning, "blossoming morning village" - is to create a "happy and healthy community" through its product offerings (ibid: 2). Indeed, the crucial strategy of this company to implement its vision is building solid relationships with its customers, suppliers, and business partners while nurturing the employee commitment. As a result, the start-up has experienced substantial growth during the period of 2006-2011, with steady increases of operating margins such as net profit margin and annual sales (Exhibit 1).

Regarding the international presence of Cconma, in 2009, the company launched the first foreign branch in California to deliver high-quality Oriental products to Koreans residing in North America. In addition, the company is also preparing to penetrate the Chinese market in the near future.

### **3.3.3. Coupang: Tremendous success domestically and internationally**

Coupang.com is the fastest-growing e-commerce startup of all time in South Korea (Mac, 2016). Founded in 2010 by Bom Kim, a former business consultant graduated from Harvard University, the start-up with about 700 employees has become one of the fiercest rivals to Amazon in the Korean market after only a few years of establishment (Yoon, 2016).

Started by being recognized as an imitation of Groupon, a famous American e-commerce giant, due to its initial daily deals offers, Coupang swiftly expanded the product lines to a variety of tangible goods (Colao, 2013). By adopting the on-demand commerce business model, the company focuses on affordable product pricing and free Rocket Delivery, using Coupang trucks, within twenty-four hours, which helps to rapidly establish its reputation in the domestic market (Forbes, 2017; Yoon, 2016). In other words, enhancing customer experience has been one of the key strategies of Coupang to attract new customers and boost sales revenue. Until February 2017, the company was among the top ten retail e-commerce sites in South Korea with 4.5 million unique visitors, constituting a reach of 14.0% (Exhibit 2). In terms of the most prevalent mobile shopping applications in Korea, Coupang was ranked at the second spot, with 6.8 million unique visitors and 22.4% reach (Exhibit 3) (Chadha, 2017).

Apart from the attractive product offerings, Coupang has witnessed domestic success thanks to the enormous funding that the firm has received from various investors, such as one billion USD received from SoftBank, a Japanese multinational telecommunications conglomerate, in 2015 (Ando et al., 2015). In addition to enhancing the pioneering position in Korea, the company has utilized the investment to reach customers in the global markets by launching a number of offices in megacities like Shanghai, Los Angeles, Beijing, Silicon Valley, and so on (Coupang USA, 2018).



### **3.3.4. Memebox: Struggle after instant success**

Memebox.com is an e-commerce startup based in Seoul, South Korea. Established in 2012 by Dino Ha, a former student of Fashion Market program in Parsons School of Design in New York City, the firm has experimented an array of business models to make it adaptable to various foreign markets. After the monthly revenue had exceeded one million USD, i.e.: just over one year since it was founded, CEO Ha decided to migrate the main office to Palo Alto, California and focus on North America and across Asia. Began as a company offering beauty box service, it sold Korean sample-sized cosmetics wrapping in eye-catching packaging with the aim of “bringing ‘K-Beauty’ to the world” (Shu, 2015). The business achieved success promptly with a strong presence in Korea and enormous sales to China as well as surrounding countries. In 2013, the firm was acknowledged as the first-ever Korean startup to receive capital from Y Combinator, an entrepreneurship accelerator from Silicon Valley, and thus it opened various opportunities for Memebox to captivate more prominent investors and international venture capital funds (Sohn, 2016).

Hereafter, the company has continuously poured money into renovating its product offerings from monthly subscription box to seasonal beauty box, producer of in-house brands, and most recently, a review and beauty tips website. In fact, the original beauty box service only accounts for 1 to 2% of the e-commerce firm’s sales revenue (Kokalitcheva, 2016). On top of that, the company has also expanded sales and opened new offices across Asia and the U.S., including San Francisco, Taipei, Hong Kong, and so on while employing over 550 people.

Despite the initial success with massive investment as well as versatile product range, in March 2017, Memebox announced its withdrawal from the U.S. market whereas its retail activities in Korea and China remain unaffected (Wischhover, 2017). According to Wischhover (2017), the primary reason for the loosening customer loyalty in the U.S. is due to the lack of consistency in product offerings as well as the miscommunication between the firm and its customers, and thus Memebox’s market share is gradually swallowed by American e-commerce giants, such as Amazon.

### **3.3.5. TicketMonster (TMON): Startup turns into a subsidiary**

Ticketmonster.co.kr, a social commerce site established in 2010 in Seoul, was originated by five Korean entrepreneurs, who used to be employed by some of the most renowned consulting companies in South Korea. Prior to becoming business owners, Chris Shin, Tom Kim, Dan Shin, Kwon Gi-hyeon, and Lee Ji-ho were inspired by Ebay and its unique business model that transformed the e-commerce site into a self-organized interactive marketplace (Kim, 2013). Hence, they felt motivated to create a similar website that could offer a coupon or an item per day. Until now, TicketMonster has evolved into one of the biggest daily deal sites in the nation, frequently offering discount vouchers and travel packages (Bloomberg, 2018).

In addition to securing funding from venture capital groups and business partners like the aforementioned start-ups, TMON's owners decided to engage in M&A (merger and acquisition). Specifically, LivingSocial, a Washington D.C.-based online marketplace, acquired the firm in 2011 as the basis of their penetration to South Korean market (Duryee, 2011). However, the acquisition barely brought profits to LivingSocial. Rather, during the first half of 2013, the Korean firm faced a loss of approximately 39 million USD due to tremendous non-cash expenses and stock-based compensation (Del Rey, 2014). As a result, in 2014, LivingSocial struck a 260 million USD deal to sell off TMON, and thus the 1000-employee startup has turned into a subsidiary a Groupon since then.

After that, TicketMonster continues to leverage its domestic market position by utilizing Groupon's funding to acquire a number of local start-ups, such as Flight Graph and Digital Wave. In terms of foreign expansion, the company has aimed to expand in the U.S. as well as Chinese market in the few years (Lunden, 2017).

## **4. FINDINGS**

This chapter depicts the important findings withdrawn from the empirical data of four case companies in research. Particularly, it displays the results of the internationalization pattern of four e-commerce companies from their foundation in domestic market to the launch of new offices in foreign markets. Hence, the three

primary themes identified are establishment in South Korean market, utilisation of business networks, and penetration into overseas markets. To begin with, Table 2 provides an overview of the company's domestic and international operations. Thus, hinging on this information, the author deliberates each emergent theme.

Companies	Categories				
	Year of establishment	Headquarter	Number of employees	Foreign branches	Internationalization model
Cconma	2005	Chung-Ju, Korea	34 people (as of 2012)	U.S., China (expected)	Uppsala business network
Coupang	2010	Seoul, Korea	Approx. 700 people	U.S., China	Uppsala business network
Memebox	2012	Palo Alto, California	Approx. 550 people	U.S., China, Singapore	Born global
TicketMonster	2010	Seoul, Korea	Approx. 1000 people	U.S., China (soon)	Uppsala business network

Table 2: Overview of four e-commerce start-ups

Among four companies in research, one of them, Memebox, is identified as a born global, whereas the remaining three – Coupang, Cconma, and TicketMonster seem to be adopting the Uppsala Internationalization model. Specifically, while the latter firms focus on establishing a stable position in the domestic market, the former one aims to enter foreign markets since the beginning. This is congruent to the literature concerning internationalization process, which states that firms following gradual stages tend to obtain certain market knowledge before deciding to commit to that market (Andersen, 1993; Johanson & Vahlne, 1977). Moreover, due to the activeness of the business networks in acquisition of new knowledge and opportunities, Coupang, Cconma, and TicketMonster effectively apply the Uppsala business network process model. On the other hand, Memebox develops and expands in fast pace by skipping several unessential steps to gain first-mover advantages, such as swiftly changing the headquarter from Seoul to Palo Alto within nearly two years of operation, which characterizes a typical INV.

On a side note, the number of employees partly reflects the size of the company and the scale of its internationalization plan. Although Cconma is the oldest among those four in terms of firm age, the size of the company appears to be the humblest with 34 employees after seven years of operation. To some extent, it demonstrates the strict adherence of Cconma to its original vision, which mainly focuses on serving Korean customers, thus its business activities in foreign markets are still limited. On the contrary, the remaining three all have more than 500 employees, which denotes that they have been regularly targeting new customers through active operations of the domestic as well as overseas offices.

#### 4.1. Establishment in South Korean market

Companies	Categories		
	Product portfolio	Achievements	Challenges
Cconma	<ul style="list-style-type: none"> <li>▪ Healthy and storytelling products from social enterprises (e.g. Korean Chaga-Mushroom-Fermented Soybeans and We-Can cookies).</li> <li>▪ “Prepared-to-order” service, i.e.: group ordering for fresh beef at cheaper price from livestock farmers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Gaining trust from members of the platform, resulting in high retention rate of 100% in 2012.</li> <li>▪ Increasing revenue by 482% and platform sales by 2500% after six years of operations (Exhibit 1).</li> </ul> <p>➔ Experiencing healthy and steady growth.</p>	<ul style="list-style-type: none"> <li>▪ Having limited exposure to the market due to lack of advertising apart from social media.</li> <li>▪ Competing with <i>chaebols</i> selling similar healthy products, such as Orga Whole Food from Pulmuone Corporation or Hansalim.</li> </ul>
Coupang	<ul style="list-style-type: none"> <li>▪ Consumer goods including baby products, fashion, books, household appliance, etc.</li> <li>▪ In-house brand named Tamsaa that sells premium products at</li> </ul>	<ul style="list-style-type: none"> <li>▪ Becoming the most fast-growing e-commerce site in the country, hitting more than 1 billion USD in sales during the third year of operation (Dragani, 2014).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increasing competition with Gmarket and <i>chaebol's</i> subsidiary 11st.</li> <li>▪ Facilitating the rapid growth to be more sustainable.</li> </ul>

	affordable prices.	<ul style="list-style-type: none"> <li>▪ Being one of the leading start-ups in the national market with large volume of annual visitors (Exhibit 2, 3).</li> <li>▪ Regarded as the “most well-funded private technology player” (Shu, 2014).</li> </ul>	<b>Vicious cycle:</b> raise large funding to make up for the losses in sales despite high growth, because of intense price competitions with domestic rivals.
Memebox	<ul style="list-style-type: none"> <li>▪ Beauty, make-up, and skincare products through beauty box service.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Inspired Korean young people, including fresh university graduates, to pursue entrepreneurship.</li> <li>▪ Rose to fame after collaboration with Korean beauty blogger, Park Hye min, to open an in-house brand named Pony Effect.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Mostly neglecting the national market after instant success of the Pony Effect brand. ➔ Unstable market position.</li> </ul>
TicketMonster	<ul style="list-style-type: none"> <li>▪ Travel packages, flight tickets, grocery shopping, and online discounts.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A rising start-up in the field of travel offers and daily deals due to growing demand for overseas travel in Korea.</li> <li>▪ Outperformed two e-commerce giants, Coupang and WeMakePrice, in terms of monthly growth in sales from July 2015 to July 2016 (Lee,</li> </ul>	<ul style="list-style-type: none"> <li>▪ Competing with other fast-growing start-ups and foreign entrants.</li> <li>▪ Selling similar products to the e-commerce alliance of eleven <i>chaebols</i>, such as Samsung Electronics, Hyundai Motor, LG Telecom, Asiana Airlines, and Interpark.co.kr.</li> </ul>

		2016).	(Williams, 2000)
--	--	--------	------------------

Table 3: Establishment in South Korean market

As seen from Table 3, all product lines of four start-ups are aimed at the final consumers. Although their product offerings are different from each other, the competition with other start-ups as well as *chaebol*-backed firms which sell similar goods and services is severe, such as Cconma and Orga Whole Food, Coupang and 11st, TicketMonster and eleven-*chaebol* alliance. Despite the competition, each company has achieved from decent to remarkable success in the domestic market considering their non-*chaebol* background. As for Memebox, the domestic success relies on their collaboration with popular Korean influencers, which helps to leverage their visibility in the market. Meanwhile, Cconma experiences a steady and stable growth, although the company occupies a modest market share. On the other hand, Coupang has grown to become one of the largest start-up in South Korea partly due to the diverse product range, yet the rapid growth involves in a vicious cycle, where enormous funding is needed to cover losses as a consequence of their competitive price policy. Besides, TicketMonster experiences high growth in sales, thus it demonstrates great potential to become a start-up giant like Coupang. However, a major challenge is to establish a stable market position and distinguish itself from the long-lasting *chaebol* alliance.

Overall, Hypothesis H1 is **partially supported** as the case studies signify that in the long run, apart from Coupang, the other three start-ups' domestic market shares remain uncertain due to the lack of exposure and credibility as compared to the *chaebols*. However, as those e-commerce start-ups face competition with the *chaebols* in the domestic market, they still manage to earn certain accomplishments that fit their resources in the short term. Therefore, this situation indicates that the decision of being internationalized might result from other factors beside the abiding dominance of the *chaebols* over the national market.

## 4.2. Utilization of business networks

Companies	Stakeholders			
	Customers	Employees	Suppliers	Partners
Cconma	<ul style="list-style-type: none"> <li>▪ Enabling customers to leave replies after purchases (mostly Internet users interested in generating content).</li> </ul> <p>→ Positive feedback from active users attracts new ones.</p> <ul style="list-style-type: none"> <li>▪ Allowing customers and sellers to organize all sales promotion, thus reducing marketing expenses.</li> <li>▪ Creating “Happiness Center”, i.e.: customer service center, to increase customer engagement.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Receiving high levels of employee satisfaction due to ethical values and consistent customer-focused vision.</li> <li>▪ Promoting employee welfare, such as opening a daycare center close to the office, shuttle buses to Seoul, and sports facilities.</li> <li>▪ Encouraging internal communication by organizing weekly workshops and teambuilding activities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensuring supplier reliability through their portfolio on the store page.</li> <li>▪ Checking goods’ quality during suppliers’ trial period.</li> <li>▪ Understanding the causes that make suppliers leave the platform, such as disapproval of the company’s “customer-first” policy, unexpectedly low revenue, and unfamiliarity with e-commerce.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Engaging in the local community by teaching farmers to use online sales, hiring them, and organizing harvesting events.</li> </ul>
Coupang	<ul style="list-style-type: none"> <li>▪ Providing exceptionally wide selection of products on the website.</li> <li>▪ Offering customized</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fast-paced working environment suitable for tech-savvy people.</li> <li>▪ Providing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Building solid relationships with mostly Korean suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Utilizing CEO’s large network to obtain enormous funding from various organizations, such as</li> </ul>

	<p>suggestions for customers to avoid being overwhelmed by endless sales and promotions.</p> <ul style="list-style-type: none"> <li>▪ Maintaining Rocket Delivery service and same-day shipment policy.</li> <li>▪ Developing easy access on mobile for smartphone users.</li> </ul>	<p>certain benefits such as catered lunches, flexible working hours, and casual internal communication.</p>		<p>SoftBank, BlackRock, Sequoia Capital, and so on.</p> <ul style="list-style-type: none"> <li>▪ Launching new product lines by partnering with domestic and foreign producers, such as The Honest Company selling healthy lifestyle goods.</li> </ul>
Memebox	<ul style="list-style-type: none"> <li>▪ Offering a wide range of product lines with Memepoints card (discontinued in 2017).</li> <li>▪ Relying on digital content and advertising to maintain customer loyalty.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Confusing business models lead to inconsistent business vision and culture.</li> <li>➔ Receiving mostly negative feedback from former employees on review sites.</li> <li>▪ Hiring on-demand staff from Wonolo, Inc., a staffing solution company for most deliveries.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Establishing relationships with more than 2900 Korean cosmetics brands.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Raising funds at a rapid rate from international investors, especially the 60 million USD investment in 2016 from Goodwater Capital, Altos Ventures, Cowboy Ventures, Mousse Partners, etc.</li> <li>▪ Working with influencers including Youtubers to create more in-house brands.</li> </ul>



TicketMonster	<ul style="list-style-type: none"> <li>▪ Implementing unlimited free returns policy.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Friendly and casual working culture.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Accused of delaying payments to suppliers according to the Fair Trade Commission (FTC)'s report. (Lee, 2018)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Enlarging business lines by attracting bigger funding, such as a 115 million USD in 2017, from Simone Investment Managers to open Tmon Fresh, an in-house grocery store brand.</li> <li>▪ Engaging in a number of M&amp;A to receive funding and acquire core competencies.</li> <li>▪ Accommodating the losses when being a subsidiary of LivingSocial, and later, Groupon.</li> </ul>
---------------	---	--	--	--

Table 4: Utilization of business networks

Based on Table 4, all four companies have put considerable efforts into establishing their own business networks since the establishment in South Korea till the preparation stage of internationalization. However, the firms put different levels of emphasis on each chain of the networks. Specifically, Cconma tends to care more about the relations with its customers, employees, and suppliers while there seems to be a lack of attention to the business partners. On the contrary, Memebox focuses on gaining connections with a variety of cosmetic suppliers and attracting numerous investors to expand the business. However, the benefits for its employees and customers remain neglected while the business models and product offerings are

constantly changing, which appears to be confusing to the parties involved. On the other hand, Coupang seems to demonstrate equally positive relationships with the participants of its business networks, including extended product range and Rocket Delivery for the customers, comfortably entrepreneurial working environment, solid connections with Korean suppliers, and strong financial position thanks to a broad network of investors. TicketMonster, nevertheless, pays the most attention to the business partners who help to accomplish a few M&A ventures or acquire the company themselves. In fact, the relations with customers and employees are typically normal, yet the fact that the company ran into trouble with its suppliers implies a loophole in its stakeholder management.

In general, all companies in research have shown different ways to create and maintain their business networks, but they share one thing in common – that is the utilization of those networks to build organizational capabilities within their country and to prepare for internationalization. Therefore, Hypothesis H2 is **supported**.

#### 4.3. Penetration into overseas markets

Companies	Categories		
	Product portfolio	Activities	Challenges
Cconma	Similar to domestic market.	<ul style="list-style-type: none"> <li>Serving a substantial number of Koreans living in areas near Santa Fe Springs, California.</li> </ul>	<ul style="list-style-type: none"> <li>Seeking business partners in other cities in the U.S. as well as other countries.</li> <li>Expanding foreign customer base.</li> </ul>
Coupang	Similar to domestic market.	<ul style="list-style-type: none"> <li>Opening new offices in megacities worldwide, e.g. Beijing, Shanghai, Los Angeles, New York, etc.</li> <li>Planning to seek IPO in New York.</li> </ul>	<ul style="list-style-type: none"> <li>Improving capital structure by attempting IPO.</li> <li>Managing the growing workforce in three operating countries.</li> </ul>

		<ul style="list-style-type: none"> <li>▪ Being recognized as the “Amazon of Korea” in the U.S. (Stewart, 2017).</li> </ul>	
Memebox	<ul style="list-style-type: none"> <li>▪ U.S.: beauty tips and review website (switching from beauty box).</li> <li>▪ Singapore, China: Korean cosmetics retailer.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Relocating headquarter to San Francisco.</li> <li>▪ Focusing on Chinese and North American markets simultaneously while expecting reach break-even point in sales by 2018.</li> <li>▪ Launching 14 offices in those countries, with an official flagship store in Hongkong.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Regaining customer base in foreign markets.</li> <li>▪ Choosing a suitable and long-lasting business model to gain profitability.</li> </ul>
TicketMonster	Similar to domestic market.	<ul style="list-style-type: none"> <li>▪ Aiming to launch new offices in China and the U.S.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Differentiating product offerings to compete with local competitors.</li> </ul>

Table 5: Penetration into overseas markets

Table 5 suggests that the companies prioritize the U.S. and Chinese markets in their expansion plans. Apparently, those foreign markets are considered psychically close to South Korea since these countries are the top two trading partners as previously stated. Regarding the time of adopting such strategy, Coupang is the only company that has opened new offices outside of the U.S. and Chinese mainland, including Singapore and Hongkong, after a few years of operating in those two nations. As a result, H3 is **supported**.

With regards to the visibility of those firms in the global market, while Memebox has achieved substantial success in the U.S. and China by setting the headquarter in San Francisco and opening fourteen offices as well as an official store in Hongkong, Cconma only has one office at Korea Town in California. Moreover, while Memebox

has websites in three different languages – Korean, Chinese, and English, Cconma simply offers a Korean website, since they intend to target only Korean customers. However, comparing the performance of two companies in the domestic market, Memebox seems to have better public presence thanks to their well-developed digital marketing strategies and the collaboration with influencers. Meanwhile, Cconma shows a more stable business model with customer-oriented strategy, and thus they are expected to earn profitable growth in the long term. On top of that, the strong presence in the Korean market allows Coupang and TicketMonster to take the advantage of being recognized in foreign markets even before their penetration.

Overall, considering the performance of all firms, Coupang is doing well in both markets, TicketMonster shows immense potential to expand internationally; while Cconma experiences a slow but solid growth in the local market, and Memebox is struggling to affirm certain market position in the long run.

## **5. DISCUSSION AND ANALYSIS**

This section aims to explain the findings in relation to the conceptual framework and to see their connection with the research questions. Accordingly, this part is structured based on the proposed hypotheses, starting from the influence of domestic conditions on the decision to internationalize of four e-commerce start-ups, examining the importance of business networks in their operations, and lastly, investigating their choice of international markets.

### **5.1. Domestic market conditions and firm's internationalization link**

In respect to the link between an SME's internationalization and its home country's market conditions, Kubickova (2010) identifies that the foundation of the firm in domestic market could be a factor contributing to its success abroad, yet the success also depends on such major qualities as exceptional core competencies or effective marketing strategies. Regarding the case of South Korean e-commerce companies, the fact that Hypothesis H1 is partially accepted indicates that in some cases, dire competition in the domestic market is not the main driver for firms to internationalize. In fact, Li and Ding (2017) suggest that there are two opposing views concerning the

home country institutions to motivate SMEs and start-ups' expansion, which are regarded as "governmental promotion" and "institutional escapism" (p.129). While the latter view resembles the *chaebol* situation in South Korea plus poor support of entrepreneurship from the government, the former view is more positive as it acknowledges that the favourable domestic conditions, such as governmental policies, also contribute to the overseas expansion of firms. Indeed, since the 1960s, the Korean government has introduced a number of public policies to stimulate the development of SMEs. Specifically, the first legal frameworks to protect the rights of SMEs were enacted in the late 1960s, namely SMEs Basic Law and SMEs Credit Guarantee Law (Sung et al., 2016). During the 1970s, the government opened a few public financial institutions as well as non-profit organizations such as KODIT (Korean Credit Guarantee Fund) and SBC (Korea Small and Medium Business Corporation) to ensure the financial credibility of the SMEs and help them to get access to business loans (ibid). Throughout four decades, the public policies concerning SMEs and start-ups in Korea has drastically changed from increasing financial institutions to developing technology, simplifying market access, and lastly, promoting globalization (Sung et al., 2016). Therefore, it could be seen that to some extent, the Korean government has tackled to create a fairly auspicious environment for the SMEs and start-ups to approach outward internationalization. Comparing to the findings, the theories have explained the substantial success of four e-commerce companies in research in spite of tough competition with the *chaebols*, since the legal frameworks provided by the Korean government as well as the firms' core competencies have moderately lessened the negativity of the *chaebol*'s dominance.

On top of that, the findings also hint that firms choose either Uppsala Internationalization Model or International New Ventures, and thus they could engage in either incremental or rapid internationalization. With regards to this perspective, Hadjikhani et al. (2014) emphasizes the importance of careful preparation for the internationalization process, and hence rapid development could drive firms to neglect thorough understanding of the targeted foreign markets, which would eventually force them to cope with unrealized threats. On the contrary, Wach (2016) affirms that born globals tend to designate more concrete internationalization strategy than firms using the stage theory because they have focused on the overseas markets since the early years. However, there is inadequate evidence from

the findings that proves firms following incremental steps are more successful than those adopting rapid process and vice versa. In terms of market visibility, Coupang seems to be advantageous both domestically and internationally, whereas Memebox, as a born global, gained the first-mover advantage when they first penetrated the U.S. market, but then continuously going downward due to their overly flexible business models. Besides, the international performance of Cconma and TicketMonster is yet to be evaluated.

Generally, comparing the literature with the four firms' performance, the domestic conditions, either seen as negative or positive, do have a strong link with a firm's internationalization, and hence it is one of the factors that SMEs and start-ups consider when they deliberate whether to internationalize or not.

## **5.2. Business networks and firm's performance link**

The role of business networks has been highlighted in the literature review, which specifies that firms consider knowledge and opportunities the main drivers to establish new relationships (Odlin & Benson-Rea, 2017). Moreover, they are apt to develop commitments from those relations, and thus the partners benefit each other by exchanging knowledge and opportunities (Johanson & Vahlne, 2009). In this case, Cconma has demonstrated their strong and long-lasting business networks, which involve customers, employees, and suppliers. However, their visibility in the national market is hampered partly due to the lack of business partners in the professional networks, and thus this is also a disadvantage for them in terms of expansion to foreign markets. On the other hand, Coupang has secured a durable tie with their customers and business partners, whereas TicketMonster also excels at attracting new investors although such relations with the employees and suppliers are slightly developed. Thanks to the robust networks of both start-ups with large corporations and venture capital organizations, their presence in both domestic and international markets are leveraged. Besides, Memebox also displays an actively strong network of investors and foreign partners, yet the weak contact with employees, customers, and suppliers seems to have diminished such efforts.

To explain the choice of network focus of four companies, there is barely any literature available that compares the performance among firms concentrating on

customers, employees, suppliers, and partners. However, the network theory recognizes that the SMEs owners' ability to seek partnership will help them to get access to additional resources, and thus external networking is an effective way to reduce costs while increasing the profitability of the company (Zhao & Aram, 1995). Regarding the external resources, Watson (2007) confirms that by establishing partnerships, especially with companies having strong financial background such as financial institutions and venture funds, firms own a higher chance to survive in tough markets and retain growth. Nonetheless, firms spending too much internal resources to various networks simultaneously are inclined to be counter-productive (ibid). Therefore, this could be one of the reasons for the firms in research to focus on different stakeholders in the business networks, in which the business partners appear to be the most chosen option.

While the case studies present a possible link between a firm's business networks and its performance either in the home country or the host nations, many researchers approve of such connection. In particular, Human and Naude (2009) explain it with the use of the resource-based view (RBV), which refers to the organizational resources, including network competences, as the key to achieve competitive advantages (Knight, 2001). Hence, increased network competence will have a positive impact on a firm's competitiveness, especially because they could obtain more information about the competitors and anticipate the arising trends (Human & Naude, 2009). Furthermore, Golfetto and Gibbert (2006) acknowledge that a firm's capability to capitalize on external knowledge is indeed a core element of performance; and thus by strengthening the networks, firms will correspondingly improve their performance. As a matter of fact, according to Kalm (2012), the effectiveness of business networks is beneficial to both domestic and international growth of a company, since the results of his empirical data from surveys and in-depth interviews with 53 SMEs entail a causal relationship between increased networking activities and firm growth in size and revenue.

Overall, while Hypothesis H2 is supported, the theories surrounding the business networks confirm the positive link with firm's performance and suggest their important role in contributing to the organizational capabilities.

### **5.3. Psychic distance in market selection and firm's performance link**

Regarding the choice of foreign markets of four e-commerce companies, all companies penetrate, or intend to do so, the U.S. and Chinese markets, and thus Hypothesis H3 is accepted. In fact, the psychic distance theory has been repeated by various researchers, and thus they suggest that firms select markets psychically close to them to improve performance. According to Evans et al. (2000), when firms consider penetrating a certain country, cross-border differences in culture, business practices, legal and political environment, and the like are essential information for the decision-making process. Therefore, the reduced level of uncertainty when companies enter countries that they adequately understand will make it easier and less time-consuming to transfer the domestic operations to the foreign markets (ibid).

However, market selection based on psychic distance is not always supported by the researchers, since many have questioned its practical usefulness following the trend of globalization. Specifically, Stöttinger and Schlegelmilch (2000) claim that the lack of empirical research on the role of psychic distance in the modern business world might make managers unaware that such strategy is already outdated. In light of the consequence of psychic distance, Nordstrom and Vahlne (1994) define the term as "factors preventing or disturbing firm's learning about and understanding a foreign environment" (p.42). In addition, Sousa and Bradley (2005) discover a linkage between the value of psychic distance and international marketing strategy, which denotes that the level of firms' marketing mix customization increases as the distance increases. However, the authors also concern that nowadays, even in the most similar foreign markets, the use of standardization or identical products to the home country will barely gain remarkable results since those countries still exist certain differences in various aspects. Thus, it is unreasonable to assume that their markets are homogeneous (ibid). Therefore, the fact that apart from Memebox, the remaining three e-commerce start-ups sell the same products as in the South Korean market (Table 5) leaves an uncertainty about their long-term success. Considering that they have found the niche markets in the U.S. and China, such as Cconma targeting the Korean community in North America, the differentiation in product offerings remains significant as they expand the customer base, regardless



of the psychic distance. However, such differentiation strategy has been ineffectively implemented by Memebox (Table 5) since the initially good impression that American consumers have on their beauty boxes was replaced by the confusion of which specific product lines that the company wants to promote.

On the whole, the psychic distance is mostly seen to have a negative relationship with organizational performance. Nonetheless, there is an unpopular opinion that affirms this relationship could also be positive. Particularly, the perception of differences between the home and host countries could reinforce firms' performance (O'Grady & Lane, 1996). In other words, entering a psychically close country does not necessarily produce superior results for firms, and at times acknowledging the similarity between two nations is associated with poorer performance than understanding the differences (ibid). Also according to Evans and Mavondo (2002), when firms are obliged to penetrate a psychically distant country, they are more likely to undertake comprehensive research and meticulous planning, which will ultimately be propitious for their organizational performance.

In general, all four companies in research are implementing the psychic closeness strategy regarding their market selection. While the e-commerce start-ups view the relationship between organizational performance and psychic distance as negative, it is unsure whether the positive perspective would be more appropriate for those firms to enhance their performance, yet such an opposite view could open a golden opportunity for them as the potential foreign markets are no longer restricted within its psychic closeness to South Korea.

## **6. CONCLUSION**

### **6.1. Main findings**

The development of SMEs and start-ups has been regarded as the future of business since those companies are the back bone of most economies in the world. In the case of South Korea, the trend of entrepreneurship is rising, yet the family-owned conglomerates still play a dominant role in the domestic market. Researchers debate on the potential of the Korean SMEs and start-ups to overcome such difficulties and the shift of the Korean economy from being heavily influenced by *chaebols* to entrepreneurship. Due to the small scale of this research as well as the

qualitative case study methodology, the above questions are yet to be answered. Nevertheless, the findings from the empirical data, to some extent, have provided a satisfactory response to the initially mentioned research questions, which challenged the internationalization strategies of Korean e-commerce SMEs and start-ups and how they are influenced by the *chaebols*, business networks, and psychic distance.

First of all, with regards to the reasons for e-commerce start-ups to internationalize, the literature proposes that tough domestic competition with the *chaebols* is a determinant factor. While the findings from four case companies partially support the hypothesis, they suggest that the main drivers of those firms' internationalization are in general, the domestic market conditions. In fact, the conditions are not necessarily negative, since there exist two types of home country institutions – “governmental promotion” and “institutional escapism”. Undeniably, the Korean government has made deliberate attempt to motivate entrepreneurial business in the country by introducing a number of supportive policies. Besides, the theories also mention the effects of incremental as compared to rapid internationalization, which could be useful for firms to consider whether the foundation in the Korean market is beneficial to their international expansion or not.

Secondly, the linkage of business networks and firm's performance indeed positively exists, as it is confirmed by both empirical findings as well as theoretical analysis. Originally, the theories suggest the significant role of business networks in building the organizational capabilities in both domestic and overseas business activities of SMEs and start-ups. After that, the findings on the utilization of business networks accept the hypothesis because of the strong engagement of all four companies in their own networks, though their focuses on each stakeholder is different from each other. Among four stakeholders, business partners including venture funds and large companies are the most popular option for the e-commerce start-ups due to their generous financial resources. Overall, the business networks help to leverage the performance of firms by delivering knowledge and opportunities from other stakeholders, enhancing competitive advantages, thereby facilitating their growth in domestic and foreign markets.

Thirdly, in respect to the major factors that the Korean e-commerce start-ups consider in international market selection, the study recommends psychic distance

as a typical one. As four e-commerce firms choose to penetrate the U.S. and China before other countries, the hypothesis of Korean SMEs and start-ups scrutinizing psychic closeness of the host nations for their overseas expansion is confirmed. While the companies adopt psychic distance for ease of uncertainty and time reduction by utilizing the negative relationship between the term and firm's performance, the comparative literature opens another perspective, which denotes that such relationship could also be positive. This means that even the supposedly similar countries still exist distinguished characteristics, thus acknowledging the differences will probably be more beneficial for firms to improve their performance.

All in all, the findings from the case studies of four Korean e-commerce start-ups support the conceptual framework, while the theories expand and explain the conception behind those findings. To conclude, the internationalization strategies of Korean e-commerce SMEs and start-ups are strictly related to their domestic competition of the *chaebols*, establishment of business networks, and psychic distance of the targeted foreign markets.

## **6.2. Implications for International Business**

Although this research is limited in scope and scale, the results and analysis could be useful for the case companies to reflect on their strategies, and thus bolstering their internationalization process. Furthermore, this study helps the SMEs and start-ups in Korea as well as other countries, that are intending to penetrate the global market, to understand the theoretical models of internationalization, identify different views of one strategy, and prioritize specific factors for enhancing organizational capabilities as well as selecting new markets. The conceptual framework is also convenient for the entrepreneurship strategists of the Korean government as it provides them with a brief overview of the current start-up environment and their intents for internationalization, thus a number of public policies favorable for entrepreneurship in Korea could be adjusted or introduced accordingly. In addition to that, from the perspective of foreign firms which are planning to enter South Korea, this thesis might serve as an interesting and informative introduction to the local e-commerce market, therefore it could somewhat contribute to their decision-making process.

### **6.3. Limitations of the research**

Due to the lack of qualitative and quantitative data on a larger scale, the outcome of this research is not exemplary to all e-commerce SMEs and start-ups in Korea. Indeed, because the topic of this thesis is very specific about the type of companies, the industry in research, and the country in focus, along with the time restriction and complex procedures, it was complicated to collect first-hand data from Korean SMEs' representatives. As a result, since the methodology used is case study, the empirical data was gathered on various articles, news, Harvard Business Review, and company reports. Therefore, the information is unavoidably biased to some extent. Furthermore, owing to the shortage of information about non-*chaebol* backed e-commerce SMEs, Memebox was the only company that follows the INV model, thus it was impossible to evaluate whether the incremental or rapid internationalization would be more suitable for the Korean SMEs. On top of that, among four companies, TicketMonster is still in the planning stage for internationalization, thus the study fails to fully assess those firms' performance on the international ground. Overall, the main problem of this research is the limited scope and scale and the lack of primary data. Consequently, the research questions only mention the tip of the iceberg of the start-up scene in South Korea, and thus extensive studies regarding this topic are highly recommended.

### **6.4. Recommendations for further research**

Considering that the study is limited to four e-commerce start-ups, further research should firstly, examine a bigger sample size with considerably equal number of companies adopting INV and Uppsala Internationalization models to produce better comparisons. Moreover, to ensure a higher quality for the research outcome, the methodology should be elevated from case studies to quantitative surveys or qualitative interviews with the companies' CEOs, or the combination of both. Additionally, besides domestic market, business networks, and psychic distance, researchers could explore other factors in the SMEs' internationalization strategies, including core competencies such as marketing and R&D. Furthermore, as the study only discovers the internationalization pattern of those firms until their first foreign penetrations, more in-depth investigation of the overseas operations in later years

would also be valuable. On the side note, researchers and policy makers could also delve into other high-growth or knowledge-intensive industries besides e-commerce as well as examine the success elements of some SMEs and start-ups in the country to provide greater support in the sense of financial, regulatory, and legal frameworks for entrepreneurship in Korea.

## Reference List

- 'Why a big slump in South Korea's exports matters' (2015, 1 Sep.) *The Economist*.
- 'Young, gifted and blocked: South Korean entrepreneurs' (2011, 12 May) *The Economist*.
- About Coupang USA: An Overview* (2018). Available from: <http://www.coupang-usa.com/who-we-are/an-overview/> [Accessed 12 March 2018].
- Almor, T. & Hashai, N. (2004) 'The competitive advantage and strategic configuration of knowledge-intensive, small- and medium-sized multinationals: a modified resource-based view.' *Journal of International Management* [Online]. 10: 479-500.
- Andersen, O. (1993) 'On the Internationalization Process of Firms: A Critical Analysis.' *Journal of International Business Studies* [Online]. 24 (2): 209-231.
- Ando, R., Lee, V. & Anantharaman, M. (2015) *SoftBank to invest \$1 billion in Korean e-commerce site Coupang*. Available from: <https://www.reuters.com/article/us-softbank-southkorea-ecommerce/softbank-to-invest-1-billion-in-korean-e-commerce-site-coupang-idUSKBN0OJ0GI20150603> [Accessed on 13 March 2018].
- Applegate, M.L., Holsapple, W.C., Kalakota, R., Radermacher, J.F. & Whinston, B.A. (1996) 'Electronic commerce: Building blocks of new business opportunity.' *Journal of Organizational Computing and Electronic Commerce* [Online]. 6 (1): 1-10.
- Baskerville, P. (2015) 'What's the difference between a startup and an SME (small medium enterprise)?' *Quora Post*, 22 September. Available from: <https://www.quora.com/Whats-the-difference-between-a-startup-and-an-SME-small-medium-enterprise> [Accessed on 14 February 2018].
- Baxter, P. & Jack, S. (2008) 'Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers.' *The Qualitative Report* [Online]. 13 (4): 544-559.
- Blank, S. (2010) *What's A Startup? First Principles*. Available from: <https://steveblank.com/2010/01/25/whats-a-startup-first-principles/> [Accessed on 13 February 2018].
- Bower, D. (1993) 'The learning organization: A rover perspective.' *Executive Development* [Online]. 6 (2): 3-6.
- Campbell II, L.T. & Keys, Y.P. (2002) 'Corporate governance in South Korea: the *chaebol* experience.' *Journal of Corporate Finance* [Online]. 8 (4): 373-391.

Carneiro, J., Rocha, d.A. & Silva, d.F.J. (2008) 'Challenging the Uppsala Internationalization Model: a Contingent Approach to the Internationalization of Services.' *Brazilian Administration Review* [Online]. 5 (2): 85-103.

Chadha, R. (2017) *South Korea's Gmarket, 11Street Top 10 Among Desktop and App Shoppers*. Available from: <https://www.emarketer.com/Article/South-Koreas-Gmarket-11Street-Top-10-Among-Desktop-App-Shoppers/1015574> [Accessed on 12 March 2018].

Chaffey, D. (2007) *E-business and E-commerce Management: Strategy, Implementation and Practice* (3<sup>rd</sup> edition). New York: Pearson Education.

Chang, J.J. & Shin, H.H. (2007) 'Family ownership and performance in Korean conglomerates.' *Pacific-Basin Finance Journal* [Online]. 15 (4): 329-352. Retrieved from: Science Direct Database [Accessed on 20 November 2017].

Chang, S.C. (1988) 'Chaebol: The South Korea Conglomerates.' *Business Horizons* [Online]. 31 (2): 51-57. Retrieved from: Science Direct Database [Accessed on 24 November 2017].

Cho, H.D. (2016) '*Sampo Generation*' suffers employment stress, study finds. Available from: <http://koreajoongangdaily.joins.com/news/article/article.aspx?aid=3017250> [Accessed on 21 January 2018].

Chulikavit, K. & Rose, J. (2003) 'E-commerce and the internationalization of SMEs.' *Globalization and Entrepreneurship: Policy and Strategy Perspectives*. Massachusetts: Edward Elgar Publishing.

Chung, H.F. (2010) 'International marketing decision governance, standardization, and performance: A framework in the cross-market scenario.' *European Journal of Marketing* [Online]. 44 (11/12): 1642-1666.

Colao, J.J. (2013) *How An E-Commerce King Is Conquering Korea*. Available from: <https://www.forbes.com/sites/jjcolao/2013/08/14/how-an-e-commerce-king-is-conquering-korea/#403da2845707> [Accessed on 13 March 2018].

*Company Overview of TICKETMONSTER INC.* (2018). Available from: <https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=113059112> [Accessed on 12 March 2018].

Curado, C. (2006) 'The Knowledge-Based View of The Firm: From Theoretical Origins to Future Implications.' *Working Paper 1/2006*. Lisbon, Portugal: University of Lisbon.

- DeLone, H.W. & McLean, R.E. (2004) 'Measuring e-Commerce Success: Applying the DeLone & McLean Information Systems Success Model.' *International Journal of Electronic Commerce* [Online]. 9 (1): 31-47.
- Doh, S. & Kim, B. (2014) 'Government support for SME innovations in the regional industries: The case of government financial support program in South Korea.' *Research Policy* [Online]. 43: 1557-1569.
- Dominguez, G. & Mazumdar, S. (2016) *Why innovation is king in Korea*. Available from: <http://www.dw.com/en/why-innovation-is-king-in-south-korea/a-19038625> [Accessed on 25 January 2018].
- Douglass, M. (2016) 'Creative communities and the cultural economy – Insadong, chaebol urbanism and the local state in Seoul.' *Cities*; 56: 148-155. Retrieved from: EBSCO Database [Accessed on 15 January 2018].
- Dragani, R. (2014) *Coupang's on Fire in Korea's Hot M-Commerce Climate*. Available from: <https://www.ecommercetimes.com/story/80558.html> [Accessed on 15 March 2018].
- Duryee, T. (2011) *Exclusive: LivingSocial Makes Giant Push Into Asia With Acquisition of South Korea's Ticket Monster*. Available from: <http://allthingsd.com/20110801/livingsocial-makes-giant-push-into-asia-with-acquisition-of-south-koreas-ticket-monster/> [Accessed on 14 March 2018].
- Eisenhardt, M.K. (1989) 'Building Theories from Case Study Research.' *The Academy of Management Review* [Online]. 14 (4): 532-550.
- Erramilli, K.M., Srivastava, R. & Kim, S.S. (1999) 'Internationalization theory and Korean multinationals.' *Asia Pacific Journal of Management* [Online]. 16: 29-45.
- European Union: German Start-ups Association (2016) *European Startup Monitor Report*. Germany: ESM.
- Evans, J. (2010) *Marketing Aspects of Psychic Distance*. Wiley Online Library.
- Evans, J. & Mavondo, T.F. (2002) 'Psychic Distance and Organizational Performance: An Empirical Examination of International Retailing Operations.' *Journal of International Business Studies* [Online]. 33 (3): 515-532.
- Evans, J., Treadgold, A. & Mavondo, T.F. (2000) 'Psychic distance and the performance of international retailers.' *International Marketing Review* [Online]. 17 (4/5): 373-391.



- Fan, T. & Phan, P. (2007) 'International new ventures: revisiting the influences behind the 'born-global' firm.' *Journal of International Business Studies* [Online]. 38(7): 1113-1131.
- Freyer, L. (2017) *South Korean Youth Struggle To Find Jobs After Years Of Studying For Tests*. Available from: <https://www.npr.org/sections/parallels/2017/05/28/530153288/south-korean-youth-struggle-to-find-jobs-after-years-of-studying-for-tests> [Accessed on 20 January 2018].
- Golfetto, F. & Gibbert, M. (2006) 'Marketing competencies and the sources of customer value in business markets.' *Industrial Marketing Management* [Online]. 35: 904-912.
- Gregory, G., Harvie, C. & Lee, H.H. (2002) 'Korean SMEs in the 21<sup>st</sup> Century: Strategies, Constraints and Performance in a Global Economy.' *Economic Papers* [Online]. 21(3): 64-79.
- Hadjikhani, A. (1997) 'A note on the criticisms against the internationalization process model.' *Working paper 1997/2*. Uppsala University.
- Hadjikhani, A., Hadjikhani, I.A. & Thilenius, P. (2014) 'The internationalization process model: A proposed view of firms' regular incremental and irregular non-incremental behavior.' *International Business Review* [Online]. 23 (1): 155-168.
- Hall, C. & Harvie, C. (2003) 'A Comparison of the Performance of SMEs in Korea and Taiwan: Policy Implications of Turbulent Times.' *The Journal of The Korean Economy* [Online]. 4 (2): 225-260.
- Harrison, H., Birks, M., Franklin, R. & Mills, J. (2017) 'Case Study Research: Foundations and Methodological Orientations.' *Forum: Qualitative Social Research* [Online]. 18 (1).
- Hashai, N. & Almor, T. (2004) 'Gradually internationalizing 'born global' firms: an oxymoron?'. *International Business Review* [Online]. 13 (4): 465-483.
- Human, G. & Naude, P. (2009) 'Exploring the relationship between network competence, network capability and firm performance: a resource-based perspective in an emerging economy.' *Management Dynamics: Journal of the Southern African Institute for Management Scientists* [Online]. 18 (1): 2-14.
- Johanson, J. & Vahlne, E. J. (1977) 'The Internationalization Process of the Firm – A Model of Knowledge Development and Increasing Foreign Market Commitments.' *Journal of International Business Studies* [Online]. 8 (1): 23-32.

- Johanson, J. & Vahlne, E.J. (2009) 'The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership.' *Journal of International Business Studies* [Online]. 40: 1411-1431.
- Johanson, J. & Wiedersheim-Paul, F. (1975) 'The Internationalization of the Firm – Four Swedish Cases.' *Journal of Management Studies* [Online]. 12 (3): 305-322.
- Kalm, M. (2012) 'The Impact of Networking on Firm Performance – Evidence from Small and Medium-Sized Firms in Emerging Technology Areas.' *Discussion Papers* 1278. The Research Institute of the Finnish Economy.
- Kang, C.D. (2002) 'Bad Loans to Good Friends: Money Politics and the Developmental State in South Korea.' *International Organization* [Online]. 56 (1): 177-207.
- Kang, H.I. & Mah, J.S. (2015) 'R&D Policy for Small and Medium-sized Enterprises in Korea.' *Science, Technology & Society* [Online] 20 (1): 1-20.
- Kang, J.S. & Downing, S. (2015) *Cconma.com in South Korea: An Innovative E-Commerce Platform*. Ivey Publishing.
- Kim, A.H. (2015) *South Korea's deepening youth unemployment crisis*. Available from: <http://asaa.asn.au/south-koreas-deepening-youth-unemployment-crisis/> [Accessed on 20 January 2018].
- Kim, D.S., Lee, J.N., Rhim, H. & Shin, H. (2015) 'Strategic agility of Korean small and medium enterprises and its influence on operational and firm performance.' *Int. J. Production Economics* [Online]. 168: 181-196. Retrieved from: Science Direct Database [Accessed on 27 November 2017].
- Kim, J.S. (2013) *How Ticket Monster came to be*. Available from: [http://www.koreatimes.co.kr/www/news/culture/2013/08/142\\_98042.html](http://www.koreatimes.co.kr/www/news/culture/2013/08/142_98042.html) [Accessed on 14 March 2018].
- Kim, K.S (2017) 'Factors Affecting the Internationalization of Small and Medium-sized Enterprises in South Korea: Entrepreneurial Orientation, Human Capital and Technological Capabilities.' *International Journal of Economics and Financial Issues* [Online]. 7 (5). Available from: <http://www.econjournals.com> [Accessed on 25 November 2017].
- Knight, A.G. (2001) 'Entrepreneurship and strategy in the international SME.' *Journal of International Management* [Online]. 7: 155-171.
- Köhegyi, A. (2015) *Internationalization of South Korean software SMEs: A multiple-case study on market selection, expansion patterns and the influence of large*

*business conglomerates*. M.A. Dissertation. Lund, Sweden: Lund University [published].

Kokalitcheva, K. (2016) *How This Korean Beauty Startup Uses Data to Keep Up With Trends*. Available from: <http://fortune.com/2016/08/10/memebox-korean-beauty-products/> [Accessed on 14 March 2018].

Koo, J. & Kiser, L.S. (2001) 'Recovery from A Financial Crisis: The Case of South Korea.' *Asian Economic and Financial Review* [Online]. 4: 24-36.

Korea: Organization for Economic Co-operation and Development (2016) *Entrepreneurship: Promoting Innovative Entrepreneurship*. Korea: OECD.

Kubickova, L., Peprny, A. & Novakova, S. (2010) 'Model for Assessing the Success of SMEs in the Internationalization Process.' *Acta Universitatis Agriculturae Et Silviculturae Mendelianae Brunensis* [Online]. 38 (24): 245-252.

Kwon, H.S. & O'Donnell, M. (2001) *The Chaebol and Labour in Korea: The development of management strategy in Hyundai*. London: Routledge.

Lee, H.S. (2016) *Ticket Monster outperforms market*. Available from: [http://www.koreatimes.co.kr/www/news/biz/2016/09/123\\_214456.html](http://www.koreatimes.co.kr/www/news/biz/2016/09/123_214456.html) [Accessed on 3 March 2018].

Lee, H.S. (2018) *Ticket Monster faces anti-trust probe*. Available from: [http://www.koreatimes.co.kr/www/news/biz/2016/06/123\\_207672.html](http://www.koreatimes.co.kr/www/news/biz/2016/06/123_207672.html) [Accessed on 15 March 2018].

Lee, M.S., Lee, M.T. & Yoo, S. (1991) 'Korean Chaebols: Corporate Values and Strategies.' *Organizational Dynamics* [Online]. 19 (4): 36-50.

Li, F. & Ding, D. (2017) 'The dual effects of home country institutions on the internationalization of private firms in emerging markets.' *Multinational Business Review* [Online]. 25 (2): 128-149.

Lim, W.H. (2012) 'Chaebol and Industrial Policy in Korea.' *Asian Economic Policy Review* [Online]. 7(1): 69-86.

Lopez, E.L., Kundu, K.S. & Ciravegna, L. (2009) 'Born global or born regional? Evidence from an exploratory study in the Costa Rican software industry.' *Journal of International Business Studies* [Online]. 40: 1228-1238.

Lu, W.J. & Beamish, W.P. (2001) 'The Internationalization and Performance of SMEs.' *Strategic Management Journal* [Online]. 22 (6/7): 565-586.

- Lunden, I. (2017) *Korea's Ticket Monster nabs \$115M at a \$1.4B valuation to ramp up in grocery*. Available from: <https://techcrunch.com/2017/04/26/ticket-monster-raises-115m-dollars/> [Accessed on 10 March 2018].
- Ma, D.X. (2001) 'E-commerce and High-tech Industry.' In: *Proceedings of the International Symposium on Government and E-Commerce Development*; Ningbo, China: 23 April.
- Mac, R. (2016) *Coupang: The \$5 Billion Startup Filling Amazon's Void In South Korea*. Available from: <https://www.forbes.com/sites/ryanmac/2016/04/13/coupang-south-korea-amazon-bom-kim/#2b5e24e168b1> [Accessed on 1 March 2018].
- Majoni, T., Matunhu, J. & Chaderopa, B. (2016) 'SMEs Policies and Challenges: A Comparative Analysis of Zimbabwe and South Korea.' *International Journal of Scientific and Research Publications* [Online]. 6 (6): 377-384.
- Marlow, I. (2015, 24 Apr.) 'South Korea's chaebol problem.' *The Globe And Mail*.
- Millard, N. (2016) *Korea's startup scene begins to diversify, reach beyond its own borders*. Available from: <https://venturebeat.com/2016/12/18/koreas-startup-scene-begins-to-diversify-reach-beyond-its-own-borders/> [Accessed on 12 February 2018].
- Murillo, D. & Sung, D.Y. (2013) 'Understanding Korean Capitalism: *Chaebols* and their Corporate Governance.' *ESADEgeo-Center for Global Economy and Geopolitics* [Online]. 33: 1-11.
- Nigatu, T. (2009) 'Qualitative Data Analysis' [PowerPoint]. *Conference at African Medical & Research Foundation*; March. Available from: <https://www.slideshare.net/tilahunigatu/qualitative-data-analysis-11895136> [Accessed on 13 March 2018].
- Nordstrom, K.A. & Vahlne, J. (1994) 'Is the globe shrinking? Psychic distance and the establishment of Swedish sales subsidiaries during the last 100 years.' *International Trade: Regional and Global Issues* [Online]. 41-56.
- Nowak & Partner (2017) *E-Commerce Market In South Korea: Overview on e-commerce in South Korea*.
- Odlin, D. & Benson-Rea, M. (2017) 'Competing on the edge: Implications of network position for internationalizing small- and medium-sized enterprises.' *International Business Review* [Online]. 26: 736-748.
- OECD (2005) *OECD SME and Entrepreneurship Outlook: 2005*. Paris: Organization for Economic Co-operation and Development.

- O'Grady, S. & Lane, H. (1996) 'The Psychic Distance Paradox.' *Journal of International Business Studies* [Online]. 27 (2): 309-333.
- Oviatt, M.B. & McDougall, P.P. (2007) 'Toward a Theory of International New Ventures.' *Journal of International Business Studies* [Online]. 25(1): 45-64.
- Park, S.R. & Yuhn, K.H. (2012) 'Has the Korean *chaebol* model succeeded?' *Journal of Economic Studies* [Online]. 39(2): 260-274.
- Park, T.K. (2010) *Investigating "Born Globals" in South Korea: their antecedents and performance*. PhD Thesis. UK: University of Hull [published].
- Pellegrino M.J. & McNaughton, B.R. (2017) 'Beyond learning by experience: The use of alternative learning processes by incrementally and rapidly internationalizing SMEs.' *International Business Review* [Online]. 26: 614-627.
- Pereira, C.M. (2015) *Uppsala Model vs. Born Global Theory: The Case of BIND's Internationalization*. MSc Thesis. Portugal: Universidade Católica Portuguesa [published].
- Premack, R. (2017) 'Issue: South Korea's Conglomerates.' *Sage Business Researcher* [Online].
- Pyo, H.H., Hong, S.C. & Kim, A.J. (2016) 'Firm Size and Job Creation in Korea: Do Small Businesses Create More Jobs?'. *The Korean Economic Review* [Online]. 32 (1): 137-166.
- Raghu, M. (2017) *The differences between SMEs and start-ups*. Available from: <https://www.thenational.ae/business/the-differences-between-smes-and-start-ups-1.12126> [Accessed on 20 February 2018].
- Rhyu, S.Y. (2005) 'The Origins of Korean *Chaebols* and their Roots in the Korean War.' *The Korean Journal of International Relations* [Online]. 45 (5): 203-230.
- Riggins, J.F. & Rhee, S.H. (1998) 'Toward a unified view of electronic commerce.' *Communications of the ACM* [Online]. 41 (10): 88-95.
- Rowley, J. (2002) 'Using Case Studies in Research.' *Management Research News* [Online]. 25(1): 16-27.
- Russel, J. (2016) *Memebox raises \$66M for its e-commerce platform for Korean beauty products*. Available from: <https://techcrunch.com/2016/08/09/memebox-raises-66m-for-its-e-commerce-platform-for-korean-beauty-products/> [Accessed on 14 March 2018].

Saarenketo, S., Puumalainen, K., Kuivalainen, O. & Kylaheiko, K. (2004) 'Dynamic knowledge-related learning processes in internationalizing high-tech SMEs.' *International Journal of Production Economics* [Online]. 89: 363-378.

Seong, K.C., Kim, H.J., Kim, S.W., Cho, J.W., Kwon, Y.K., Ryu, K.S., Yu, I.K. & Hahn, S.Y. (2002) 'Current status of SMEs in Korea.' *Cryogenics* [Online]. 42: 351-355.

Shu, C. (2014) *Korean E-commerce Leader Coupang Raises \$300M Led by BlackRock*. Available from: <https://techcrunch.com/2014/12/10/korean-e-commerce-leader-coupang-raises-300m-led-by-blackrock/> [Accessed on 15 March 2018].

Shu, C. (2015) *With \$29M In Funding, Memebox Brings Korean Beauty Products To The World*. Available from: <https://techcrunch.com/2015/03/11/memebox/> [Accessed on 13 March 2018].

Sohn, J.Y. (2016) *Beauty start-up Memebox scores \$66m investment*. Available from: <http://www.koreaherald.com/view.php?ud=20160810000720> [Accessed on 14 March 2018].

Sohn, S.Y., Hong, S.J. & Lee, W.K. (2017) 'What matters in technology leakage in small and medium enterprises: the case of Korea.' *Technology Analysis & Strategic Management* [Online]. 29 (6): 543-555.

Song, J.A. (2013, 5 Nov.) 'Small businesses battle to make mark alongside South Korean conglomerates.' *Financial Times*.

Sousa, P.M.C. & Bradley, F. (2005) 'Global markets: does psychic distance matter?' *Journal of Strategic Marketing* [Online]. 13 (1): 43-59.

*South Korea eCommerce Insights: 31.8 Million eCommerce Users By 2021*. Available from: <https://www.eshopworld.com/blog-articles/south-korea-ecommerce-insights-2017/> [Accessed on 4 April 2018].

Stewart, A. (2017) *Coupang – the 'Amazon of Korea' – nabs space for up to 350 people in Seattle*. Available from: <https://www.bizjournals.com/seattle/news/2017/12/07/coupang-leases-space-8th-olive-seattle.html> [Accessed on 2 March 2018].

Stöttinger, B. & Schlegelmilch, B.B. (2000) 'Psychic distance: a concept past its due date?' *International Marketing Review* [Online]. 17 (2): 169-173.

Suh, Y.Y. & Kim, M.S. (2014) 'Internationally leading SMEs vs. internationalized SMEs: Evidence of success factors from South Korea.' *International Business Review* [Online]. 23: 115-129.

Sung, C.Y., Kim, K.C. & In, S.Y. (2016) 'Small and medium-sized enterprises policy in Korea from the 1960s to the 2000s and beyond.' *Small Enterprise Research* [Online]. 23 (3): 262-275.

Tanev, S. (2012) 'Global from the Start: The Characteristics of Born-Global Firms in the Technology Sector.' *Technology Innovation Management Review* [Online]. 5-8.

Tejada, C. (2017) *Money, Power, Family: Inside South Korea's chaebol*. Available from: <https://www.cnbc.com/2017/02/17/money-power-family-inside-south-koreas-chaebol.html> [Accessed on 16 January 2018].

The Economist Intelligence Unit. (2007) *South Korea technology: Overview of e-commerce*. Available from: <http://www.lyncmigration.com/news/2007/08/01/2831064.htm> [Accessed on 30 March 2018].

U.S.: The World Bank (2001) *Small and Medium Enterprises in Korea: Achievements, Constraints and Policy Issues*. Washington D.C.: The International Bank for Reconstruction and Development.

Usunier, C.J. & Lee, A.J. (2009) *Marketing Across Cultures*. Essex: Pearson Education.

Wach, K. (2015) 'Incremental versus Rapid Internationalisation of Firms: Results of Exploratory Investigation from Poland.' *Entrepreneurial Business and Economics Review* [Online]. 3 (4): 37-48.

Watson, J. (2007) 'Modeling the relationship between networking and firm performance.' *Journal of Business Venturing* [Online]. 22 (6): 852-874.

Westhead, P., Wright, M. & Ucbasaran, D. (2001) 'The Internationalization of New and Small Firms: A Resource-Based View.' *Journal of Business Venturing* [Online]. 16: 333-358.

*What is an SME? – Small and medium sized enterprises (SME) – Enterprise and Industry* (2015). Available from: [https://web.archive.org/web/20150208090338/http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index\\_en.htm](https://web.archive.org/web/20150208090338/http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm) [Accessed on 15 February 2018].

Williams, M. (2000) *Korean Chaebols to Announce E-Commerce Tie-up*. Available from: [https://www.computerworld.com.au/article/88962/korean\\_chaebols\\_announce\\_e-commerce\\_tie-up/](https://www.computerworld.com.au/article/88962/korean_chaebols_announce_e-commerce_tie-up/) [Accessed on 2 April 2018].

Wischhover, C. (2017) *Memebox Is Officially No Longer Selling Korean Beauty Products*. Available from: <https://www.racked.com/2017/5/1/15444928/memebox-korean-beauty-reviews> [Accessed on 13 March 2018].

Workman, D. (2018) *South Korea's Top Trading Partners*. Available from: <http://www.worldstopexports.com/south-koreas-top-import-partners/> [Accessed on 4 April 2018].ju

Yin, K.R. (1994) *Case Study Research: Design and Methods* (2<sup>nd</sup> edition). London: SAGE Publications.

Yoon, J. (2016) *The Jeff Bezzos of South Korea: Coupang CEO Bom Kim*. Available from: <http://seoulspace.com/2016/04/15/the-jeff-bezzos-of-south-korea-coupang-ceo-bom-kim/> [Accessed on 12 March 2018].

Yun, J.H. (2010) 'The Myth of Confucian Capitalism in South Korea: Overworked Elderly and Underworked Youth.' *Pacific Affairs* [Online]. 83 (2): 237-259.

Zhao, L. & Aram, J.D. (1995) 'Networking and growth of young technology-intensive ventures in China.' *Journal of Business Venturing* [Online]. 10 (5): 349-370.

Zwass, V. (1996) 'Electronic commerce: structures and issues.' *International Journal of Electronic Commerce* [Online]. 1 (1): 3-23.

## APPENDICES

Years	2006	2007	2008	2009	2010	2011
Active users	16,800	67,400	106,700	155,300	175,000	194,900
The number of orders	27,467	125,945	245,765	351,277	376,330	412,828
Annual revenue of Cconma (million in US\$)	1.07	1.21	2.50	6.65	6.57	6.23
Transaction turnover (million in US\$)	N/A	3.77	7.41	11.06	12.81	20.0
Net Profit of Cconma (million in US\$)	0.07	0.03	0.26	0.47	0.17	0.62
Net Profit Margin (%)	6.5	2.48	10.4	7.1	2.6	10.0
Average Order Value, US\$	38.95	39.54	40.32	50.41	51.49	63.54
No. of weekly visitors 2012	8 <sup>th</sup> week 44,287	9 <sup>th</sup> week 36,774	10 <sup>th</sup> week 38,400	11 <sup>th</sup> week 39,105	12 <sup>th</sup> week 39,475	13 <sup>th</sup> week 36,170

Exhibit 1: Annual reports of Cconma Co., Ltd.



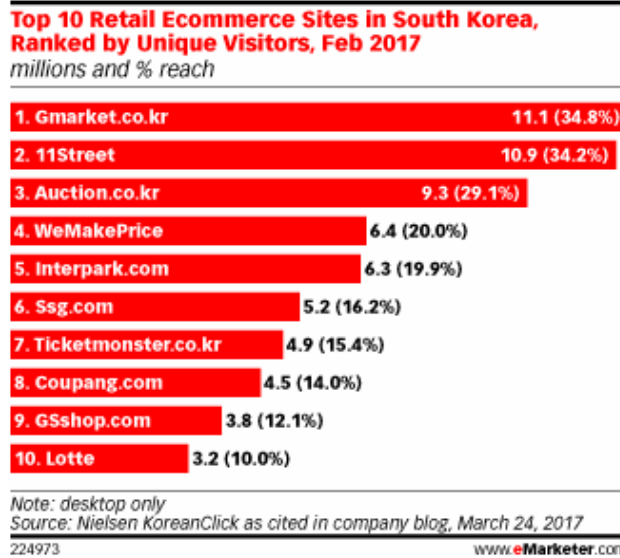


Exhibit 2: Top 10 Retail Ecommerce Sites in South Korea, Ranked by Unique Visitors, Feb 2017 (Chadha, 2017)

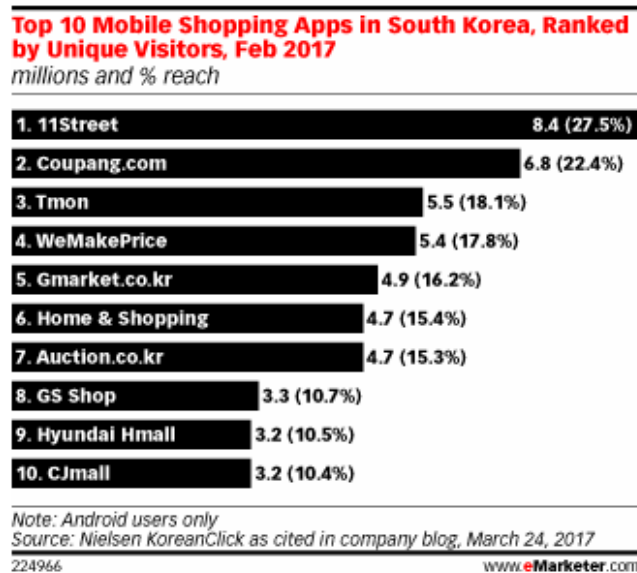


Exhibit 3: Top 10 Mobile Shopping Apps in South Korea, Ranked by Unique Visitors, Feb 2017 (Chadha, 2017)